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3-PAGE SAFARI SPECIAL



World Business Newspaper <http://www.FT.com> WEEKEND OCTOBER 26/OCTOBER 27 1996

EU set to impose ban on visas for Burmese officials

The European Union is set to impose a ban on visas for officials of Burma's military junta and block high-level contacts following the recent arrest of democracy activist Aung Mye Thaw. The decision follows a similar move by the US and is part of the growing isolation of the Burmese regime, which last week had its application to join the Association of South-East Asian Nations next year postponed. Page 3

Wall Street rally boosts London stocks

Heavy activity in regional electricity stocks and a rally on Wall Street after an uncertain opening helped the UK stock market regain ground after recent weak trading. The FTSE 100 index, down 73.7 during the three previous sessions, closed 22.0 higher at 4,022.4, reducing the loss over the week to 30.6 points. London stocks, Page 21; World stocks, Page 18; Markets, Weekend Page XXIV

Cordless phone sparks Italian debates

A super-cordless phone in Italy has sparked an angry debate over when a cordless phone becomes a mobile phone, as mobile phone operators fear the new product could represent unfair competition. Page 2

Canada to host Cuban deputy: Cuban vice-president Carlos Lage begins a four-day visit to Canada tomorrow in Ottawa's latest show of opposition to the US Helms-Burton law which seeks to penalise companies from third countries doing business with Cuba. Page 24

New Norwegian PM reshuffles cabinet

Norwegian prime minister Thorbjørn Jagland announced a cabinet shake-up immediately after being sworn in following the resignation on Wednesday of his predecessor, Gro Harlem Brundtland. Page 2

CGIP 'close to' Valeo deal: French industrial holding company Compagnie Générale d'Industrie et de Participations indicated it hoped to reach an agreement "within weeks" to buy Carlo De Benedetti's large stake in French car parts maker Valeo. Page 5

Push for UK interest rate rise: Bank of England governor Eddie George is expected to step up his call for higher interest rates next week, after official figures showed that economic growth in the UK has accelerated to its fastest rate since 1994. Page 4

Reuters Holdings, the news and financial information group, said consolidation in its banking client base and new product lines resulted in third-quarter growth of 9 per cent to \$736m (\$1.14bn). Page 6

El Abra copper mine in Chile, owned by Cyprus Amax of the US, said it expects to return to full production by the end of the year, six months earlier than expected, following repairs to its broken conveyor belt. Copper ends week on high. Page 7

Emu threat to City bankings: UK officials warned that London could face pressure to conform to mainland European market practices under a future single currency - sacrificing traditional City of London practices such as the use of fractions in prices. Page 4

Malaysian budget to cool economy: Malaysia presented a conservative budget aimed at cooling the economy, predicting that gross domestic product growth would be 8.2 per cent in 1996 and 8 per cent in 1997. Page 3

US Daiwa bank manager jailed: The former general manager of Daiwa Bank's New York branch was sentenced to two months in prison for helping to conceal \$1.1bn in trading losses from US regulators.

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French outburst over company sales to foreigners

By David Buchanan in Paris

A rising tide of union and leftwing indignation in France over the sale of the state-owned Thomson group, part of it to Daewoo of South Korea, is threatening to spill over in a xenophobic reaction against sales to other foreign investors.

France. And there is already a parliamentary inquiry, with all-party support, into the proposed merger of GEC-Alsthom with Framatome, regarded as the crown jewel of French technology.

Mr Gong Ro-Myung, the Korean foreign minister who was in Paris yesterday to formalise his country's membership of the Organisation for Economic Co-operation and Development (OECD), politely said that he was "reasonably surprised" by the polemics inside France over Thomson going to Daewoo.

French defence group Lagardère, which will keep the defence part, Thomson CSF, and transfer the electronics unit to Daewoo.

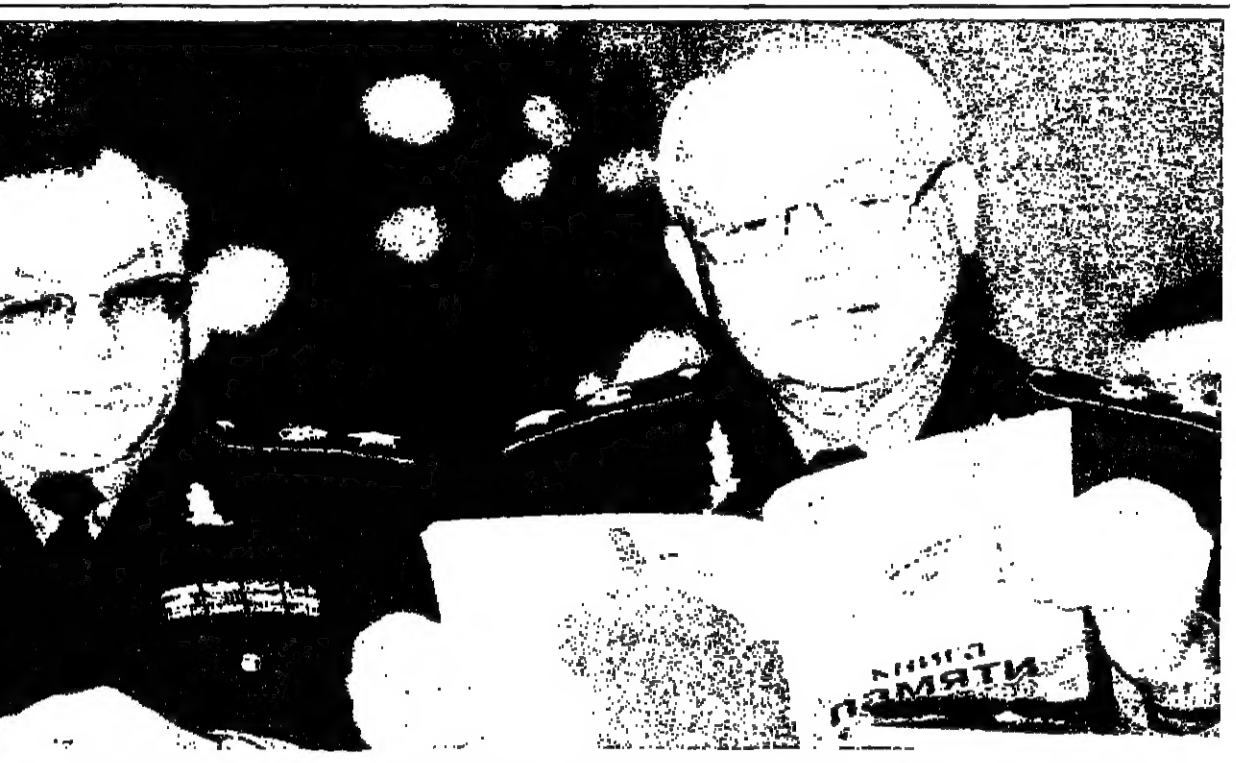
the charge that it was giving away the Thomson group - which, with its FF70bn (\$13.8bn) annual turnover and 90,000 employees, is one of the most highly esteemed industrial groups in the country.

Hint of US rebound as orders increase

By Michael Proulx in Washington

A sharp rise in orders for US durable goods yesterday provided the first hint that economic growth could rebound after a sluggish third quarter.

Bundesbank president Hans Tietmeyer said yesterday he saw no need for German interest rate cuts for the foreseeable future. His comment buttressed a warning from Mr Otmar Issing, Bundesbank chief economist, on Wednesday that rates would fall no further.



Russian defence minister General Igor Rodionov (right) with interior minister Anatoly Kulikov studies a memorial book honouring the nation's servicemen killed in recent conflicts. Rodionov warned that underfunding had driven the Red Army "to the brink of undesirable, even uncontrollable, developments". Report, Page 2

Wired cancels latest share offering

By Lisa Branstetter in New York

Wired Ventures, the US online and traditional magazine company, has scrapped an initial public offering of its shares for the second time this year, in the latest sign that the Internet craze is waning.

Wired, which has been called the "Rolling Stone of the digital revolution", said yesterday it had cancelled all plans to go public because of "market conditions".

Rothschild unveils \$1.3bn capital in Swiss company

By John Gapper in London

The Rothschild family has disclosed for the first time that it has built up capital of \$1.3bn (\$1.3bn) in the Swiss company that owns its investment banking operations, including the merchant bank N.M. Rothschild & Sons in London.

of last year was similar to the \$475m of Hambros, but less than that of rival Schroders, a quoted investment bank with \$945m of share capital.

company's revenues come from its print magazine, Wired, rather than HotWired, its Internet publication.



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Efficiency, hard work . . . now for a spot of creativity

James Kyng reports on the brainwave behind Singapore's latest attempt at self-improvement

It is hardly art for art's sake, but Singapore is starting to get serious about creativity.

Complaints from local employers that Singaporean school-leavers were better able to memorise and copy than create have triggered a flurry of activity in the small, micro-managed city-state.

The latest initiative is to host a large international conference in June next year on the subject of thinking, an official at the national institute of education said. About 2,000 academics and business leaders are expected to attend to discuss how thought

processes work and how they can be taught.

One of the general thrusts of the conference will be an attempt to define what sparks flights of creativity. To this end, Mr Edward de Bono, the pioneer of lateral thinking, has been invited as one of more than about 150 speakers.

Mr de Bono has already visited Singapore. Creativity, he told a Singaporean newspaper in July, is born when the brain, "a self-organising information system", cuts across its habitual asymmetric thought patterns. He maintained that this faculty can be

taught and he dismissed the notion that if you "mess around long enough, you'll hit on a good idea".

Such theorising may sound ethereal to some, but Singapore's interest in it appears to be based in hard-nosed commercialism. The island republic's economy, always a paragon of efficiency and hard work, has been experiencing an erosion in its manufacturing competitiveness as the cost of labour, rentals and services rise.

The government is now keenly aware that in order to compete in high-technology industries and

realise an aim to make Singapore an "intelligent island", more Singaporeans must learn to devise new, original products.

In September, the government unveiled a drive to tackle the problem at its source in the classroom, where learning by rote and regurgitation have traditionally been prized above critical analysis and the liberal arts. Mr Goh Chok Tong, prime minister, said the government would spend S\$1.5bn (US\$1.06bn) over the next five years to promote innovative thinking skills in schools.

It is hoped that the new programme in schools will dovetail nicely with a government scheme, also unveiled this year, to spend S\$4bn over five years on training researchers and promoting more research and development by companies.

"Our new vision is for Singapore to possess world-class science and technology capabilities in areas that best support our key industries and spur the growth of new high value-added industries," said Mr Yeo Cheow Tong, the trade and industry minister.

But the new emphasis on changing the thinking patterns of a highly-disciplined population is unlikely to give rise to a culture of Bohemian spontaneity.

Just one year ago, Mr Lee Kuan Yew, Singapore's senior minister, said that the accent on liberalism in western societies often led to problems.

"This free-for-all, this notion that all ideas should contend and there will be a blinding light out of which you will see the truth - ha!" Mr Lee was quoted as saying in the local pro-government Straits Times newspaper.



Edward de Bono: creativity can be taught

Aim is for growth derived increasingly from intellectual creativity rather than manufacturing

Malaysia budget seeks to cool economy

By James Kyng in Kuala Lumpur

Malaysia yesterday presented a fiscally conservative budget aimed at cooling the economy slightly and ushering in an era of growth derived increasingly from intellectual creativity rather than manufacturing.

The government predicted in its 1996-1997 economic report that gross domestic product growth would moderate to 8.2 per cent in 1996 and 8 per cent in 1997. Eight years of rapid expansion peaked last year with a 9.5 per cent growth rate.

Budget expenditure was set at M\$59.98bn (US\$23.9bn) for 1997, 1.2 per cent lower than the allocation for 1996. Revenue was forecast at M\$60.78bn and a budget

surplus - after accounting for loan repayments - of M\$2.45bn.

One of the budget's main aims was to reduce the nation's deficit in its current account, which measures the trade in goods and services. Stock market investors have regarded the high deficit in 1995 as their chief concern; it was seen as a sign that the economy was overheating.

The government forecast yesterday that the current account deficit will fall to an estimated M\$14.80bn in 1996 and M\$11.50bn next year. This compares with an upwardly revised M\$18.70bn - more than 10 per cent of gross national product - last year.

Not content with the deficit's falling trend, Mr Anwar Ibrahim, the finance minister, announced in his budget measures to reduce

imports and boost exports. Exemptions on sales tax and import duties on a wide range of basic industrial components are to be withdrawn immediately or gradually phased out.

The government will also help local companies make items to substitute for imports by increasing research and development grants and providing 100 per cent tax exemptions for some types of local manufacturer.

But mindful of an acute national labour shortage, Mr Anwar said brain power rather than labour should become the main engine of growth.

"Our economy must be driven by intellectual and creative energy," said Mr Anwar, who is also deputy prime minister. "The manufacturing sector will

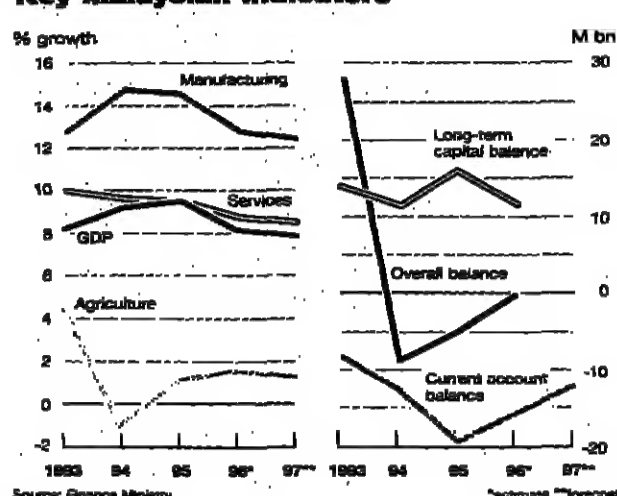
continue to be important but the new stimulus will come from services and information-based industries."

He announced a series of generous tax holidays and other privileges to foreign companies to set up shop in Malaysia's newly-promoted "multimedia super-corridor", a 750 sq km zone to which the country hopes to attract the world's leading media and information technology companies.

Malaysians, it is hoped, will pick up some of the skills of foreign workers who will inhabit an envisaged "IT City" within the corridor.

A offshore tax haven, called Labuan, also received a boost. The finance minister said that a law will be amended to allow Malaysians to own offshore companies.

Key Malaysian indicators



After eight years of rapid expansion Malaysia's economy is expected to slow to a mere 8 per cent a year growth. The budget will try to cool the economy and cut the trade deficit

EU set to ban visas for Burmese military junta

By Ted Bardecke in Bangkok

The European Union, reacting to a lack of political dialogue in Burma and the recent arrest of democracy activist Mr Kyi Maung, is set to impose a ban on visas for officials of Burma's military junta and place a moratorium on high-level bilateral contacts, EU diplomats said yesterday.

The decision, expected to be made by EU foreign ministers at a meeting in Luxembourg on Monday, follows

a similar move by the US earlier this month and is largely symbolic as travel to EU by high-level Burmese military officials is rare. Nevertheless the move is part of the growing international isolation of the Burmese regime, which last week had its application to join the Association of South-East Asian Nations in 1997 postponed.

Both the US and the EU are contemplating the more stringent action of imposing economic sanctions on Burma should the situation

in the country continue to deteriorate, while Japan, the only country besides China to provide international aid to Burma, called on the junta to release Mr Kyi Maung.

The 75-year-old Mr Kyi Maung, vice-chairman of the National League for Democracy (NLD) and a political prisoner from 1980 to 1985, was detained early in the week after Burmese authorities alleged he met two students who later participated in a rare demonstration against police brutality.

Nervous Taiwan eyes Hong Kong handover

China sees the island as the next piece of territory to reclaim. Taipei sees it differently, report John Ridding and Laura Tyson

Mr Jiang Zemin did not stint on symbolism in a recent speech on Chinese reunification: "The return of Hong Kong is the first station in our Long March," said China's president.

The ultimate destination is Taiwan. By making a success of Hong Kong's handover next July, the strategy goes, Taipei can be brought back to the fold under the same formula of "one country, two systems" and its promise of autonomy.

It is a neat argument, which could ease cross-strait ties and encourage careful handling of Hong Kong. But there is a flaw. Taiwan dismisses the parallels drawn by Beijing and views Hong Kong's handover in a rather different light.

"We are fundamentally different from Hong Kong," says Mr John Chang, Taiwan's foreign minister. "It is like night and day," he adds, citing Taiwan's development of its own political system, its democratic presidential elections this year, and the fact that Hong Kong has always been a colony - or at least for the 150 years during which it risen from a barren rock to a regional business hub.

For him, the "one country, two systems" formula cannot work in Taiwan, even if it does in Hong Kong. And he expresses reservations on that score. "I have worries. I am puzzled about why they will abolish the legislature," says Mr Chang, referring to Beijing's plan to replace Hong Kong's elected Legislative Council. This, he believes, will damage confidence, the key to a smooth handover. So, too, he argues,

will China's plans to station a People's Liberation Army garrison in the territory. Mr Chioi I-Jen, secretary general of the Democratic Progressive party, the main opposition group, puts his concerns bluntly. "Corruption after 1997 will be a serious problem. I don't think China will be able to maintain the same standards concerning the rule of law."

Similar fears are reflected in local surveys. An opinion poll by the United Daily News at the end of June, for instance, showed that more than 60 per cent of respondents did not believe Beijing would give Hong Kong a

"It is in business rather than Mr Jiang's grand scheme, that closer ties will be forged"

high degree of autonomy. Just over 50 per cent said the territory would be unable to maintain its current prosperity.

Not all Taiwanese are pessimistic. "Hong Kong was not built in a day and it will not be replaced in one day," says Mr Jack Sun, president of Pacific Electric Wire & Cable, one of Taiwan's largest companies. He has substantial investments in the territory, including a half share in the Conrad Hotel, and believes that Beijing appreciates the need to maintain its prosperity. "They may want to build up Shanghai, but Hong Kong is indispensable for China."

It is also important to Taiwan. And for this reason, more than the logic advanced by President Jiang, the return of Hong Kong to the mainland might strengthen ties across the Taiwan Strait.

The bulk of Taiwan's trade with the mainland flows through Hong Kong, including an estimated 1m containers of ocean cargo a year. Much of the \$30bn of Taiwanese investment on the mainland is channelled through the territory.

Hong Kong's handover will therefore provide common ground. "We will keep our representative offices in Hong Kong and our commercial relationships will remain unchanged," says one senior Taiwanese official. This will encourage contacts between representatives from the mainland and Taipei and will involve negotiations to formalise existing links, particularly in transport and shipping.

Private talks are due in Hong Kong early next month amid concerns by Taiwanese shippers that the issue be resolved as quickly as possible. Mr Lin Heing-shan, chairman of Evergreen Marine, says the most pressing problem is to agree on Hong Kong-Taiwan links, but the discussions are also expected to broach direct ties.

With Hong Kong's handover such links will draw closer. "Hong Kong will be part of China, so the charade of indirect trade will be hard to uphold," says one port official. According to this view, it is in business rather than Mr Jiang's grand scheme, that the steps to closer ties will be taken.

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NEWS: UK

Sacrificing conventions such as use of fractions may be price of harmonisation

Emu 'threatens banking practice'

By Gillian Tett, Economics Correspondent

UK officials have warned that London could face pressure to conform to mainland European market practices under a future single currency - possibly sacrificing traditional City of London practices such as the use of fractions in prices.

Internal discussion documents from the Bank of England, the UK's central bank, warn that the sheer size of continental Europe's bond markets could force London to change its market conventions on issues such as yield calculations and interest payments.

"Maintaining a different

set of conventions might risk the UK government having to pay a premium to attract international investors," the report says, pointing out that these pressures could emerge even if the UK stayed outside European economic and monetary union.

However, UK officials are considering pre-empting these pressures by starting a campaign to promote UK practices in the rest of Europe. And some City specialists and banking groups are hoping to use the single currency project to lobby for reform of market conventions across Europe - possibly to bring them into line with Tokyo and New York.

"Unless the UK takes the initiative now to argue for the adoption of its preferred norms, the pressure on the gilts markets to adjust to European ways will obviously be greater because of the larger size of their bond markets," the report warns. German, French, Belgian and Dutch bond markets are together five times larger than the UK gilts market.

The report adds: "One argument we might make is that if the eurobond market is to be based on a harmonised set of conventions it must be sensible to align these as far as possible with the US and Japanese bond markets."

UK banking groups have

raised the matter with the European Commission, which yesterday held the first meeting of a consultative committee to consider the impact of Emu on the markets.

The problem arises because different European Union countries use different systems for deciding interest payments, bank holidays, and payments on government bonds and repurchase agreements.

Most continental European countries quote bond prices in decimals. The US and UK, however, quote them in fractions. Similarly, UK, Italian and Irish government bonds operate with annual coupons, while other

EU countries use semi-annual coupons.

There are five different conventions for calculating accrued interest on bonds: the UK and Spain use a system that counts 365 days in a year, while Germany, Italy, Belgium and the Netherlands count 360 days.

But abandoning national conventions could be costly for some countries. Another potential problem is that smaller financial centres may be reluctant to harmonise if this means business could move more easily elsewhere. It is also unclear whether it would be governments, central banks or the markets which would implement harmonisation.

Optimism increases over euro payments

They are not shouting it yet. But as the City of London mulls the European single currency payment system, Target, a hint of optimism is emerging.

Only four months ago, bankers were shocked by threats from France and Germany that countries outside European monetary union would face restricted access to Target.

But many bankers have become privately convinced that they will be able to dodge around any restrictions that Europe might try to apply to non-Euro members.

One senior banker said: "The French and Germans cannot shut us out of Target. And if they try they will make Target pretty unattractive anyway."

Such talk may smack of bravado. It probably also reflects a concerted effort by the Bank of England - the UK's central bank - to promote an upbeat picture of the City's future.

Indeed, from the political point of view there is currently little for the UK to celebrate as it has looked increasingly at odds with France and Germany over Target.

However, officials from both the UK and European central banks still hope a compromise can be found, possibly at a crucial European Monetary Institute meeting in December. In particular, there is speculation that a deal might be proposed where the UK accepted some form of banking reserve requirements - in exchange for better access to intra-day liquidity in Target.

British-based banks and the Bank of England are engaged in a flurry of studies to identify alternatives to Target. The Bank of England, for example, is exploring ways of establishing a separate pool of euros to offer as liquidity to London-based banks, perhaps using existing foreign exchange reserves.

Alternatively, some private banks hope that the problem could be solved by using branches or subsidiaries in single currency areas to access Target.

Officials at NatWest bank, for example, think that one obvious access point would be through their subsidiary, Ulster Bank, in the Republic of Ireland - a country that is likely to be an Euro member. Barclays thinks it could use German and French subsidiaries. Meanwhile Midland bank has similar hopes with its German subsidiaries.

Evaluating the feasibility of these options is impossible since the cost of using Target is still unclear. Consequently, bankers admit that any judgments about Target and the City cannot be made yet.

But confidence is returning. And this leaves the Bank of England with a new problem - how to convince France and Germany to take its grievance over Target seriously when UK bankers are determined to put an upbeat face on the picture.

Gillian Tett

UK NEWS DIGEST

Lloyd's issues Canadian writs

Lloyd's campaign to recover \$500m (\$780m) from investors who have refused to join its \$3.2bn settlement moved forward yesterday with the issuing of more than 300 writs against 200 Canadian Names for a net \$20m. "We are doing this because they will not come to the table," said Mr Philip Holden, head of Lloyd's financial recovery department. The writs, although issued in London, can be pursued in Canada due to reciprocal legal links between the two countries.

Canadian Names are alleging that fraud lay behind their losses at Lloyd's. They have also taken action against banks to protect their assets from being drawn down by Lloyd's. Lloyd's is offering to talk to Canadian Names and has extended the criteria in their case for eligibility for housing support - although any decision to admit them to the settlement would be a matter for the market's governing council. Lloyd's has moved reluctantly against Canadian Names. It has delayed taking action but feels it must now issue writs as UK dissident Names are already being pursued.

Jim Kelly

BROADCASTING

Soccer rights review accelerated

The Restrictive Practices Court yesterday agreed to a request from Mr John Bridgeman, the director-general of fair trading, that it bring forward its review of the soccer Premier League's new £78m (\$1.15bn) television deal with BSkyB, the satellite broadcaster, and the BBC.

Mr Bridgeman told the Restrictive Practices Court that he believed the agreements with BSkyB and the BBC might have "a considerable impact" on the development of the broadcasting industry within the next few years. He wants the court to look into whether the collective selling of exclusive television rights for Premier League matches was anti-competitive.

Patrick Harrington

CONSTRUCTION

Prices 'set to outstrip inflation'

Construction costs could rise by as much as 28 per cent during the next five years, easily outstripping increases in general inflation over the same period, according to forecasts by EC Harris International cost consultants.

The consultants warned that building workers' wages and material prices were likely to increase sharply when construction output recovered. Industry output was predicted to rise by 1.7 per cent next year and 2.9 per cent in 1998 by Construction Forecasting and Research, which previously provided research for the National Economic Development Office.

The consultants, which published price predictions yesterday, forecast that construction tender prices could rise by 5.5 per cent next year and by up to 8.5 per cent in London. "The warning signs are already there, with a potential for massive skills shortages leading to substantial wage hikes. In 1994 when construction workload increased by 4.5 per cent, tender prices rose by almost 10 per cent," said EC Harris.

Andrew Taylor

MANUFACTURING

Labour costs rise quickly

Factory labour costs have been rising at their fastest rate since 1991 during the past year, as manufacturers have employed more people but produced fewer goods.

The recent behaviour of unit labour costs is worse than originally estimated, according to revised figures released by the Office for National Statistics. The amount manufacturers had to spend on wages and salaries to make each unit of output in August 1996 was 5.4 per cent up on figures for August 1995.

The figures coincided with a forecast that consumer spending will drive a sharp acceleration in economic activity next year.

NTC, the financial research company, said that its leading indicator of consumer activity had jumped to its highest level since records began in 1990.

Robert Chote

LEGAL REFORM

Money transfers under scrutiny

A "glaring anomaly" in the criminal law which allows fraudsters to escape prosecution should be closed as soon as possible, Lord Bingham, the Lord Chief Justice, said yesterday. The loophole arose after the House of Lords - the UK's highest court - ruled in July that the charge of obtaining property by deception could not be applied to money transfers by cheque or electronic transmissions.

The ruling has made it extremely difficult for prosecutors to bring criminal proceedings against a number of offenders, particularly mortgage fraudsters. A private members' bill aimed at closing the loophole was introduced into the parliamentary process on Thursday and is expected to become law before the next election.

Research by the Financial Law Panel among the clearing banks suggests more than £100m is defrauded from lending institutions every year.

John Mason

COMPANY CARS

BMW's and Volvos top choices

Nine out of 10 senior management staff have a company car, compared with 70 per cent of sales representatives and 58 per cent of middle management, according to a survey published yesterday by Dial, a vehicle management service company, and Tolley Publishing. The survey said that the number of company cars had increased about 1 per cent this year compared with 1995.

The most popular company cars among senior executives are BMWs and Volvos, followed by Audis and Mercedes. The most widely distributed fleet cars are Ford, Vauxhalls, Novas, Peugeots and Renaults. Cars are being kept longer, with 51 per cent of companies changing them in 1996 after 80,000 miles compared with only 35 per cent in 1995.

CONTRACTS

Thailand weather contract won

The UK Meteorological Office is to supply Thailand with the facilities to produce its own weather forecasts, in a \$3.1m (\$4.85m) deal announced yesterday. Until now, Thailand has had to buy in forecasts from other countries.

The two-year contract is the first big licensing and development deal that the UK Met Office has won anywhere in the world. It saw off competing bids from the US and Japanese national weather services. The system will run on a new supercomputer bought from IBM of the US, in a facility being established in Bangkok by Technology Operations Group, part of the Boon Rawd conglomerate. Thailand's total investment in its new weather service is about \$45m.

Chris Cookson

CONSTRUCTION: The Foreign Office has awarded Taylor Woodrow/Scaneka Oy a 25m (\$35.8m) contract to build the new British embassy in Moscow. The joint venture is due to be completed in May 1999.

OIL: McDermott Marine Construction has been awarded a 25m contract by Shell UK exploration and production for a six-well subsea development of the Kingfisher field in the North Sea.

PUMPING EQUIPMENT: Weir Pumps, part of Weir Group, has won orders worth more than \$10m for pumping equipment for power stations in South Korea, China and Thailand from contractors in the US, Japan and Germany.

Rapid growth prompts interest rate speculation

By Robert Chote, Economics Editor

Mr Eddie George, the governor of the Bank of England - the UK's central bank - is expected to step up his call for higher interest rates next week, after official figures showed yesterday that economic growth in the UK had accelerated to its fastest rate since 1994.

The amount of goods and services produced in the economy rose by 0.5 per cent between the second and third quarters of the year, as the service sector continued to grow strongly and manufacturing pulled out of the technical recession in which it has been mired since the end of last year.

Mr Kenneth Clarke, the chancellor of the exchequer, hailed the figures as evidence that there was new "zip" in the economy. But in an interview in the Evening

Standard newspaper he continued to play down expectations of big tax cuts in next month's Budget.

Treasury officials concluded from yesterday's figures that the economy was still on course to meet the chancellor's mid-year forecast of 2.5 per cent growth in 1996 as a whole. This implies that growth is expected to accelerate in the fourth quarter to about 1 per cent. Mr George is expected to draw attention to the threat which stronger growth poses to the government's inflation target when he meets the chancellor to discuss interest rates next Wednesday. But City of London analysts said it was not clear how strongly Mr George would press the case for higher rates given the recent strength of sterling.

The growth figures helped to boost sterling on the foreign exchanges yesterday,

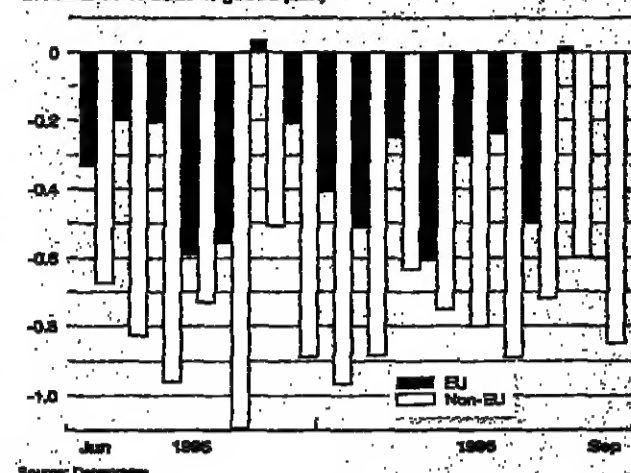
although small movements in short-striking futures contracts suggested that they had little impact on expectations of interest rate changes in the short term. The pound closed at 89.2 per cent of its 1990 value against a basket of currencies, up from Thursday's close of 88.5. Against the US dollar, the pound reached a 14-month high.

The pound was also helped by hints from the Bundesbank that German interest rates might fall again, though Mr Hans Tietmeyer, Bundesbank president, dampened such speculation, and by figures showing an improvement in the UK trade balance. In August the UK recorded a surplus in its trade with the rest of the European Union for only the fourth month since 1988.

The Office for National Statistics reported that output in the service sector

Balancing act

UK balance of trade in goods (£bn)



Source: ONS, HM Treasury

expanded by 0.9 per cent in the third quarter. Finance and business services continue to perform best.

The modest pace of growth in industrial production appears to have picked up in the third quarter, with factory output rebounding after three successive quarterly declines.

Activity in the construction sector picked up significantly

in the third quarter while agricultural output grew strongly.

Excluding oil and gas extraction, the economy grew by 0.8 per cent in the third quarter, the same figure as for the whole economy. This is slightly above the rate that has proved sustainable in the past without putting upward pressure on inflation.

Trade minister blocks water merger bid

By Jane Martinson and George Parker

Mr Ian Lang, the UK trade and industry secretary, yesterday blocked the first bid by a water and sewerage utility for a rival, in a move that could rule out any further consolidation in the sector.

The decision to stop either Severn Trent or Wessex Water bidding for South West Water shocked the industry and the City of London, as it appeared to contradict the endorsement of

Lyonnais des Eaux's takeover of Northumbrian Water last year.

The decision also appears to have strengthened the antagonism of Mr Ian Byatt, director-general of Ofwat, the industry regulator, to any further mergers among the 10 remaining water and sewerage companies. "The record of mergers is often the record of people who have produced a very good case for a merger and never delivered," he said. "I don't want that happening in this sector." He did not rule out

bids for the smaller water-only companies, however.

South West Water's shares fell almost 19 per cent to 57p since the expectation that they would be taken over evaporated. In an apparent effort to support its plummeting share price, the group, which rejected both bids when they were launched in March, announced a 215 customer rebate and a 20.4 per cent increase in its interim dividend.

Mr Lang agreed with the Monopolies and Mergers

Commission that the rival bids would harm competition in the industry. Ofwat uses comparisons between the different utilities to set price levels.

Ofwat had argued that the Wessex bid could go ahead if the group agreed to 15 per cent price cuts. However, Mr Byatt said yesterday that "on reflection the commission was probably right" to block Wessex.

Mr Nicholas Hood, chairman of Wessex Water, said he was "astonished" by Mr Lang's decision.

South West's concessions to its customers divided political opinion of the merits of the deal. Some of the region's Conservative MPs believed a takeover of SWW was the only plausible way of reducing bills. Mr Patrick Nicholls, Tory MP and former environment minister, was "sufficiently troubled by this decision to seek an early meeting with ministers".

Severn Trent shares rose 30p to 605p while Wessex advanced 25p to 342p.

Lex, Page 24

Electricity group agrees \$1.56bn price cuts

By Simon Holberton in London

Some £1bn (\$1.56bn) of electricity price cuts were secured yesterday after National Grid Group, the owner-operator of the electricity transmission system in England and Wales, accepted price control proposals by Ofwat, the industry regulator.

National Grid said it had accepted Ofwat's revised proposals to avoid the further "uncertainty, delay and

diversion of management time" that a referral to the Monopolies and Mergers Commission would have entailed.

National Grid will be required to reduce its prices to consumers by 20 per cent in the year beginning April 1 next year and to reduce prices in the three subsequent years by 4 per cent each year in real terms.

Professor Stephen Littlechild, Ofwat director-general, welcomed National Grid's acceptance of his plans: "I

believe these proposals represent a reasonable balance between the interests of customers and shareholders."

Mr David Jones, chief executive, said the terms of the new price control would create "a challenging environment" for the company's regulated transmission business. "However we are confident that group performance will enable us to maintain a progressive dividend policy," he said.

The company's decision was broadly welcomed by

investors and analysts. But one criticised the company for accepting a permanent reduction in the value of its business. The grid had claimed throughout the review that its business was worth \$4.8bn, but it settled for Ofwat's view that it was worth \$4.15bn.

Mr Littlechild's revised price control, which he published earlier this month, was judged to have been finely pitched.

Unison, Britain's biggest trade union, criticised the

grid for not taking Ofwat to the MMC. Mr Sol Mead, deputy head of energy, said: "The decision will result in damaging job cuts and threats to pay levels in the company."

In the grid's earlier submissions to Ofwat it said it would seek job reductions of about 500 from the payroll of 3,500 during the four years of the price control. The company denied suggestions it would now seek cuts of up to 1,000, although he said cuts were likely to exceed 500.

Gillian Tett

Scandex chief treads carefully

Perhaps because he is practised in the technique of literally walking over glowing coals, Mr Jeremy Bartholomew-White knows how to tread carefully when the going gets hot. He prefers to discuss the predicament of Scandex Capital Management, and the misfortunes of its customers, in terms of human nature.

Mr Bartholomew-White and Scandex, the Copenhagen company of which he is managing director, are the subject of proceedings brought by the Securities and Investments Board.

They have given undertakings until trial not to conduct unauthorised investment business in the UK or to make misleading statements or "cold calls".

The Danish financial regulator, Finansstilsynet, had already moved to close Scandex, one of a number of companies across Europe soliciting customers to engage in high-risk currency trades.

The High Court in London heard this week that Scandex customers had lost more than £1m (\$1.56) of some £1.28m invested on foreign exchange deals. The exposure of clients who bought equities through Scandex

Scandex Capital Management had between 600 and 700 customers, the company's provisional liquidator said yesterday.

Speaking from Denmark, Mr Finbarr O'Connell, of accountants Grant Thornton, said he had secured computer records from Scandex's Copenhagen office, where staff had been "extremely helpful". Mr O'Connell is to meet Mr Jeremy Bartholomew-White, Scandex's managing director, in London on Monday. He planned to return Mr Bartholomew-White's passport after that meeting.

Scandex's local employees have applied for the appointment of a trustee in bankruptcy under Danish law, which gives precedence to Danish creditors. This would complicate the insolvency procedure, Mr O'Connell said, as his powers under English law did not differentiate by nationality.

Mr O'Connell was appointed on Tuesday after Scandex presented a petition in the High Court for its winding up.

but you can't stop them from doing what they want to do. Human nature is such that they accept small profits but won't accept a small loss, and hold on for a position to right itself. It's the disciplined client who invariably will make the money."

Scandex's fees structure has been criticised because it required relatively large movements in markets even to break even and because frequent trades could be expensive. Mr Bartholomew-White said: "It wasn't the charges that Scandex made that resulted in clients losing money. If trading had gone against a client, clearly the commissions are going to worsen the position."

He admitted there had been "administration error" in Scandex's handling of the account of a customer whose

complaint helped to lead to the Danish closure.

Mr Bartholomew-White said the Danish regulator had treated Scandex "carefully and harshly". It was the only company, he claimed, to be required to undergo a full audit as part of its application for authorisation. That audit report, which Mr Bartholomew-White claims was unfair and inaccurate, resulted in the resignation of Scandex's Danish director.

A US representative office listed on Scandex's stationery was "an expansion idea in its infancy". It involved only one person, Mr Albert Alonso, although "test" sales calls may have been made from the US on the company's behalf.

Clay Harris



Colin Brown

Jeremy Bartholomew-White: investigation is "overkill"

Sainsbury plans move into retail banking

By Peggy Hollinger
and George Graham

J Sainsbury, Britain's second-largest food retailer, is to become the first supermarket group to launch a fully licensed retail bank, taking a step further in the battle between Britain's supermarket giants for customer loyalty.

The retailer said yesterday it planned a joint venture with Bank of Scotland to provide telephone banking

services in its supermarkets by early next year. The move follows Tesco's foray earlier this year into financial services in partnership with National Westminster Bank, when it extended its Clubcard loyalty scheme by adding debit and savings facilities.

Mr David Sainsbury, chairman, said the J Sainsbury bank would offer "exceptional services" to the group's 12m customers.

The bank - 55 per cent owned by Sainsbury and 45 per cent owned by Bank of Scotland - would market a range of services, starting with a Classic and Gold Visa credit card. The credit cards will include incentive schemes linked to the Sainsbury supermarket chain, such as discount vouchers.

Eventually the Sainsbury bank will introduce additional account and card services - such as debit cards and savings and loan plans.

Analysts welcomed the news. Sainsbury's has come under fire for failing to respond adequately to the challenge mounted by its rival, Tesco, which has overtaken Sainsbury in sales and profits. "At least they are first for a change," said one.

However, there was some scepticism about whether banking would solve the group's more fundamental problems. "Sainsbury has to face the issues as a food retailer and not try to offset

those problems by rushing into financial services," said another analyst. The new venture, like Tesco's debit card and savings account, poses a threat to traditional UK banks. Physical convenience remains the number one factor in choosing a bank, and banks fear their High Street branches will be hard-pressed to compete on convenience with the supermarkets consumers visit every week.

Bank of Scotland is at less risk than Barclays or Midland of cannibalising its own customers. It has 35 per cent of the Scottish market but a limited presence in England, so has nothing to lose if Sainsbury's Bank is a success.

Bank of Scotland already offers telephone banking through its Centrebank operation, which will be able to handle the additional traffic from Sainsbury's at little extra cost.

Callaway gets in the swing with Big Bertha

Pioneering new driver has made the golf club maker a spectacular success, writes Philip Gawith

It was a typical Saturday afternoon at the golf club - a few dozen bags propped against the clubhouse, their owners swishing away eagerly before moving on to the first tee. A glance at the assembled hardware revealed one thing in common - most of the bags contained the distinctive wood covers of Callaway golf clubs.

Admittedly, the venue was Wisley, one of England's most exclusive clubs. But it was a scene to be found at most clubs and professional tournaments around the world.

By any standards, Callaway is a spectacular success story. Only five years ago, Callaway had barely entered the average golfer's vocabulary. Club-making was dominated by such venerable names as Wilson, MacGregor and Spalding.

Callaway was a small company specialising in hickory shafted clubs. Turnover in 1990 was \$21.5m, with net income of \$1.8m. This year sales will approach \$700m, with profits expected to rise to about \$120m. The company is capitalised at \$2.2bn on the New York stock exchange, and has a firm grip on the lucrative premium golf club market.

The man behind all this is Ely Callaway, a 77-year-old Georgian who rose to a senior position in Burlington textiles, made a tidy sum in the wine industry, and then turned to golf.

He claims now to have retired from the game, though evidence from a recent shared round at his home course, Del Mar country club near San Diego, suggests this is not quite true. He tends not to bother much

with the short game, but retains a swing whose Rolls-Royce smoothness and simplicity would be the envy of many a young professional.

Callaway's success boils down to two words: "Big Bertha", the name of the pioneering oversize metal "wood" that the company launched in 1991. He was strongly advised not to use the name, derived from the huge first world war German gun. But he overrode the objections, and the rest is history.

Callaway revolutionised the design of golf clubs, popularising the "bigger is better" principle. Both professionals and amateurs have enthusiastically adopted the idea that a bigger head provides a larger sweet spot, making for a more rewarding game.

Marketing and distribution have also been decisive. Traditionally, distribution was controlled by pros on the golf course, and marketing was to the trade rather than to the consumer. Ely Callaway was the first to recognise that with a big marketing budget you could pitch directly to the consumer and have a big impact.

Two other factors helped: the state of the competition and that of the retail industry. Callaway notes: "It was a market dominated by old brands whose products were all good, but all of them were alike. That's a great opportunity for an innovator." The retail trade, meanwhile, was on its knees, desperate for distinctive products. Club pros, who lacked the necessary business skills, stocked too many undifferentiated brands.

Mr Mark McClure, chief



Teeing off: Kevin Costner gives Rene Russo a few hints on technique

executive of rival manufacturer Cobra, comments: "The retail business started to come to a halt. Inventory was moving like molasses, discounting became widespread, there was not much money and lots of shelf

space." The result, says Mr McClure, was "a high level of frustration. Nobody was making any money selling golf clubs".

The retail picture is now very different. In the premium market, only four

names really count: Callaway, Cobra, Taylor Made and Ping, which account for about 85 per cent of sales. Many of the traditional marques appear to be in terminal decline. Although large research and market-

ing budgets have raised the barriers to entry, top manufacturers still suffer from a flood of cheap imitation products, mostly from Taiwan.

The latest impetus has come from the introduction of Titanium clubs. Titanium is a strong but light metal which has made even larger club-heads possible. Sales have been strong and Callaway has profited handsomely, but it is not sitting on its laurels.

The company aims to develop a significant share of the large ball market, and is also expanding in putters. The ability to secure top managers from rival companies - such as Mr Chuck Yash, formerly chief executive at rival Taylor Made, and Mr Roger Cleveland, from Cleveland Golf - augurs well for product development.

In the longer term, the company believes the Callaway brand name can be taken further afield. Mr Donald Dye, chief executive, comments: "We have created the best brand name for consumer products in the past 30 years. That brand name is our greatest accomplishment and responsibility. If we do the right thing in 30 years we can be recognised on a par with Disney and Nike."

Mr Dye sees Callaway as a consumer products and entertainment company, not simply as a maker of golf equipment. "Callaway could define a lifestyle," he says.

Rivals will grit their teeth at this. Callaway's aggression has left it a feared competitor - no longer merely a company for which there was much affection. And few would bet against Mr Callaway and Mr Dye.

Wal-Mart plans new stores in Brazil

By Jonathan Wheatley
in São Paulo

Wal-Mart International, the overseas arm of the US discount retail chain, said yesterday it planned to spend \$100m to open four new stores in Brazil by the end of 1997, bringing its number of outlets in the country to nine.

"The Brazilian market is very competitive and we came to it at a time when consumers' spending patterns were changing," said Mr Bob Martin, chief executive. "But our success so far has brought us to the point where we are ready for further expansion."

Wal-Mart opened three SAM's Club wholesalers and two retail Supercenters in Brazil in the second half of last year.

Mr Martin said the Brazilian operation as a whole would not show a profit before its third full year, although individual outlets would return profits in the fourth quarter.

Wal-Mart has had a poor press since its arrival in Brazil, with reports of a slow take-up for the SAM's Club concept and of difficulties with the group's computerised inventory system.

Mr Martin denied the reports, saying that Wal-Mart's computer systems were working well and that membership of its wholesalers was growing at an annualised rate of 37 per cent, although he declined to say how many members had been attracted to the clubs.

All four new outlets will be Supercenters, in São Paulo state. The company also plans to open two more SAM's Club outlets in Brazil, at undisclosed locations.

Mr Martin would not reveal turnover at Wal-Mart's Brazilian operations. "We have a lot of competitors and that is information they would love to get hold of," he said.

Telmex slides 19.8% in third term

By Daniel Dombey
in Mexico City

Growth in long-distance traffic pushed up third-quarter sales at Telefonos de México, Mexico's dominant telecommunications company. However, operating profits and net income tumbled, affected by accounting changes and by the early effects of the opening up of the sector to competition.

Net profit fell 19.8 per cent to 3.56bn pesos (\$455m) for the quarter on sales ahead

11.4 per cent to 13.31bn pesos. The results fell within expectations, but analysts said that volume increases for long-distance calls were better than projected.

Volume for international calls grew by 20.5 per cent, while volume for domestic long-distance calls increased by 10.7 per cent. Long-distance revenues account for more than half the company's sales.

Mr Adolfo Cerezo, chief financial officer, said the increases reflected improve-

ments in the Mexican economy as a whole.

"Our strategy is to use 1996 to clean our house up," he said. "We have had to change the way we account for some of our costs, as well as establishing a more attractive tariff structure."

"The volume growth is excellent news since as a de facto monopoly for local services, Telmex will benefit in the future both as a long-distance carrier and through interconnecting other companies to its local network," said Ms Sari

Mayer, a telecommunications analyst at Salomon Brothers in New York.

Operating profits dropped 9.7 per cent to 5.1bn pesos, partly due to previous over-provisioning for settlement fees, which meant that profits for the third quarter of 1995 were revised upwards. The company also reclassified some capital expenditure as operating expenses.

"The important thing is that cash margins have been relatively stable even through this period when operating margins have

declined," said Mr Ricardo Peón, head of research at Deutsche Morgan Grenfell in Mexico City.

Operating income before depreciation stood at 7.47bn pesos, a 2.6 per cent fall from the third quarter of 1995.

The company's decline in net income was also affected by the tripling of the amount paid in income tax and employee profit-sharing schemes from a year ago to 1.9bn pesos.

Telmex's ADR fell 4%, to \$31, in early trading yesterday.

Japanese paper companies falter

By William Dawkins in Tokyo

Japan's two largest paper companies, Oji Paper and Nippon Paper Industries, yesterday reported declines in interim profits owing to lower exports and increased competition from cheap south-east Asian imports.

Oji, the result of a merger earlier this month between New Oji Paper and Honshu Paper, published separate half-year accounts for its two component companies.

The former New Oji's recurring profits - before tax and extraordinary items - fell 2.2 per cent to ¥22bn (\$195m) on sales down 1.2

per cent to ¥295.5bn. The group predicted profits in the full year would be stable at ¥48bn.

The former Honshu's recurring profits rose 2 per cent on sales up 0.7 per cent to ¥285.17bn.

Nippon Paper said recurring profits in the six months to September fell 9.6 per cent to ¥18.5bn, on turnover up 2.7 per cent at ¥351bn.

Nippon forecast a 6.8 per cent fall in full-year recurring profits to ¥41bn. Higher costs of raw materials, a consequence of the falling yen, contributed to the decline in profits, the company said.

Oji Paper's shares closed down ¥2 at ¥846 and Nippon Paper Industries' shares were down ¥31 to ¥638.

The declines in profit confirmed that Japanese paper companies' earnings peaked last year, said Mr Basil Masters, analyst at Kleinwort Benson in Tokyo.

Japanese domestic paper production rose by 5.6 per cent last year, and will be flat this year as its paper companies lose market share to exports from south-east Asia, where prices have fallen 40 per cent over the past 12 months. The Japanese paper market itself is also growing more slowly

because of lower demand from mail-order catalogue producers.

Japanese paper prices have yet to show the sharp declines of US and European paper prices, but most analysts believe this is inevitable. Distributors have started to discount prices in recent months, and ex-factory prices will soon follow suit, said Mr Masters. He believes the companies' profit forecasts are optimistic and that the sector's average recurring profits will fall about 20 per cent in the year to next March and up to 50 per cent in the following year.

CGIP chief says Valeo deal is closer

By Richard Waters
in New York

Compagnie Générale d'Industrie et de Participations, the French industrial holding company, indicated yesterday it hoped to reach an agreement "within weeks" to buy Mr Carlo De Benedetti's large stake in Valeo, the French car parts maker.

Mr Ernest-Antoine Sellière, chairman, said the two sides had been far apart on price during the summer, but he expected talks to resume next week.

CGIP's willingness to offer

a higher price, the absence of counter-bidders from the US, and Mr De Benedetti's need to raise cash meant there was now a greater chance of a deal, he suggested.

Mr Sellière was speaking in New York the day after CGIP sold half its 19.9 per cent stake in Crown Cork & Seal, the US packaging group.

The French company became the largest shareholder in Crown Cork last year when it merged with CarnaudMetalbox, a company controlled by CGIP.

provides more than \$500m towards the purchase of the 27.7 per cent of Valeo owned by Cerus, Mr De Benedetti's French holding company.

Mr Sellière conceded yesterday that his plan to buy the Valeo stake was inspired partly by a desire to keep the company in French hands, and may not have been considered if the interests of CGIP's shareholders were his only consideration.

But he said CGIP had not been pressured by the French government to make its bid. He also hinted that, with the Crown Cork stake being sold at 22 times this

year's earnings, reinvesting the cash in Valeo's stock would not dilute CGIP's own earnings per share.

Mr De Benedetti's Valeo stake is believed to have attracted two US parts makers - Delphi, General Motors' parts division, and TRW. But resistance by French automotive groups, which account for 80 per cent of Valeo sales, dampened their interest.

Mr Sellière said, though, that Valeo could leave French hands "in the medium term" if it felt an international merger was necessary.

NEWS DIGEST

Price war hits Kellogg profit

Kellogg, the US breakfast cereal company engaged in a price war in the US, yesterday reported a 31 per cent slump in net profits from \$330m to \$159.5m in the third quarter. Earnings per share fell from \$1.05 to 75 cents. The results included non-recurring charges of \$24.8m before tax. Without these, net profits were \$180.8m or 85 cents a share, in line with the profits warning Kellogg put out in September.

The cereal price war broke out earlier this year when Philip Morris's Post unit cut the prices of its Post and Nabisco cereals by an average of 20 per cent. The move was designed to recapture market share from cheaper, private-label products.

In June, Kellogg responded by cutting prices of two-thirds of its cereal output by an average of 19 per cent. General Mills and Quaker Oats, the other big players, followed with price cuts of their own. The competition cut Kellogg's revenues 9 per cent to \$1.69bn in the latest quarter, Mr Arnold Langbo, chairman and chief executive, said. "We continue to believe our strategy of lower prices combined with efficient promotion spending is the right way to deliver long-term growth."

Richard Tomkins, New York

US bank wins sell-off mandate

In a move that surprised Spain's investment bankers, Morgan Stanley, the US institution, was yesterday named international global co-ordinator of the Pta500bn (\$3.9bn) sale of the remaining 21 per cent of state-held equity in Telefonica, the national telecoms operator. The sale is scheduled for the beginning of next year.

The award of the mandate to Morgan Stanley was a blow to rival US banks Merrill Lynch and Goldman Sachs, which have played significant advisory roles for the Spanish telecoms operator. It is understood that Merrill and Goldman were disqualified from the Telefonica disposal because both are involved in the imminent offerings by other European operators.

In an indication that the Telefonica disposal will be weighted towards the Spanish market, the government also awarded mandates to Banco Bilbao Vizcaya, Argentaria and La Caixa, the Barcelona-based savings banks. The three domestic institutions jointly control more than 10 per cent of Telefonica's equity and form its core shareholding.

Tom Burns, Madrid

Lucent beats forecasts

Lucent Technologies, the former AT&T subsidiary that is now one of the largest telecommunications equipment makers in the US, posted quarterly profits of 40 cents a share, beating Wall Street estimates by 3 cents. Profits were bolstered by increased sales of second phone lines to consumers and businesses, industry analysts said. Lucent's chief business is building and upgrading telephone networks, and it has been lifted by phone companies besieged by orders for more lines.

Revenue from network systems, which brought in about \$3.3bn of the company's \$5.9bn in quarterly revenue, increased 42.4 per cent. Total revenue for the quarter was up 24.7 per cent on the same period last year. The quarter is the final one of Lucent's fiscal year, but is not considered its fourth quarter since the company recently moved its fiscal year to begin on October 1.

AP-DJ New York

Fanuc slips at halfway

Fanuc, the world's largest producer of numerical control equipment for machine tools, reported a small decline in interim profits but forecast a recovery for the full year. The Japanese company's recurring profits - before tax and extraordinary items - fell 4.7 per cent to ¥23.44bn (\$307.7m) in the six months to September, on sales down 0.9 per cent to ¥76.31bn. Operating profits fell 0.3 per cent to ¥22.54bn over the same period. For the full year to March, Fanuc expects recurring profits to rise 3.3 per cent to ¥46.49bn, on sales up 3.7 per cent to ¥156bn.

William Dawkins, Tokyo

Write-off puts Vitro in the red

Vitro, the Mexican glass-maker, wrote off its 3.2bn pesos (\$410m) investment in Anchor Glass Container, its wholly-owned US subsidiary, in the third quarter of 1996. As a result it posted a net loss of 3.1bn pesos against a profit of 340m pesos in the third quarter of 1995.

Vitro decided in September to sell its loss-making US operation. Anchor Glass accounted for about a third of Vitro's annual sales of \$3bn, but operating losses over the past two years forced Vitro to inject \$140m to keep it afloat.

Third-quarter losses were compounded by its 80m pesos provision against bad loans at Serfin, Mexico's third-largest bank, in which Vitro holds an 11.46 per cent stake. Excluding Anchor and Serfin, Vitro would have posted a net income of 287m pesos in the third quarter, broadly similar to its performance in 1995.

Leslie Crawford, Mexico City

KTIMITIKI KEPHALEOU S.A.
ADMINISTRATION OF ASSETS AND LIABILITIES

TENDER'S INVITATION
For purchasing the total amount of Assets of the Company
"TOURISTIKAI EPICHRISIS STYLIDOS" S.A.

KTIMITIKI KEPHALEOU S.A. - Administration of Assets and Liabilities (1, Mesogion Ave., 115 26 Athens), as a special liquidator of the Company "TOURISTIKAI EPICHRISIS STYLIDOS" S.A., with central offices in Athens, and being under liquidation by article Nr. 46a of Law Nr. 1892/90, under the 6885/1996 decision of Athens Court of Appeal, INVITES potential tenderers to submit, within 20 days from this publication, a non binding written declaration of interest for the purchase of the total Assets of the above Company which is to be liquidated.

BRIEF DESCRIPTION
The Company which is to be liquidated, established in 1968 under the name "AKTAI PHTHIOTIDOS - HELLENIC ANONYMOUS TOURISTIC COMPANY", and later was renamed into "TOURISTIKAI EPICHRISIS STYLIDOS S.A.". Today is established in Athens and its purpose is to manage Hotels owned by the Company.

ASSETS TO BE LIQUIDATED
The Assets of the Company which is to be liquidated, as a total, consists of one shore Class C Hotel, 154 rooms and 297 beds, swimming pool, tennis field, biological treatment installation etc., with its mobile equipment. The Hotel is built by the sea-shore and it is located in the Community of KARAVOMYLOS PHTHIOTIDAS by the Athens - Thessaloniki National Highway (233km). The unit's buildings are situated on two adjacent land plots of a 20.810 m².

LIQUIDATION PROCEDURE
Liquidation will take place in a public auction according to the article 46a of Law Nr. 1892/90 (as modified by article 14 of Law 2000/91) and under the terms of the public sale auction which will be announced in the Greek and Foreign Press according to the law.

DECLARATION SUBMISSION - MEMO OF TENDER
For the submission of declaration of interest, as well as the collection of the Detailed Assets Memo of Tender, all tenderers should apply to the liquidator "KTIMITIKI KEPHALEOU" S.A., 1, Mesogion Avenue, Tel.: 7793.770, 7751.750 (Mr. Theofilos Katalifos), or the authorized representative lawyer, Mr. Kostas Androustopoulos, 15, Navarinou Str., Tel.: 3811.089.

Athens, October 22, 1996

COMPANIES AND FINANCE: UK

NatWest to buy Citicorp's Tokyo unit

By William Dawkins in Tokyo

NatWest Securities Japan, the Tokyo equities unit of Britain's National Westminster Bank, yesterday announced it was poised to buy the Japanese equity trading operations of Citicorp International Securities of the US.

The deal, which awaits approval from the Tokyo and Osaka Stock Exchanges, comes as many European and US banks and security companies are resuming

expansion in Tokyo after several years of staff cuts.

This retrenchment, driven by high costs and regulations, declining equity market turnover and a stagnant economy, had aroused concern in Tokyo about whether it could hold its place as one of the world's top three capital markets.

NatWest gave up its Tokyo stock exchange seat three years ago as part of its strategy of concentrating on core businesses.

Since then, the company

has sought to build its world equity activities.

At the same time, the Japanese economy has begun to recover, regulations on asset management, bond issues and derivatives have become lighter and a growing number of Japanese companies have started to come back to the bond and equity markets for funding.

"To be a global equity player without a Japanese business is just not possible," said Mr Bruce Chapman, managing director of

Asia Pacific for NatWest Markets, the group's investment banking arm. "We believe that the Japanese market has changed," he added. "We would expect to see most of the major players with a bigger presence here over the next few months."

As evidence of the resurgence of foreign interest in Tokyo's financial markets, NatWest bid against eight others - including six foreign companies - for the Citicorp unit.

The US bank said it was selling the unit - which includes 11 staff - as part of its strategy of focusing on fixed income products. The price was not disclosed. Tokyo was the only market in the developed world where Citicorp carried out equity trading, said an executive.

Other financial companies to have increased their presence in Tokyo recently include Barclays, the UK bank, which last month committed ¥31bn (£18.4m) of

new capital to its securities unit, nearly quadrupling its capital base. Since then, the group has recruited 19 staff in Japan.

Other financial houses on the Japanese expansion trail include Deutsche Morgan Grenfell Capital Markets (Asia), which has hired about 50 analysts and fund managers over the past year. ABN-Amro of the Netherlands, Goldman Sachs of the US, plus Schroders of the UK and Société Générale of France.

United News in HTV stake

By Raymond Snoddy

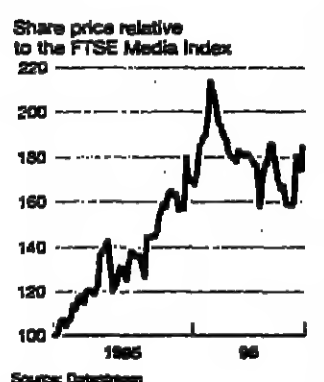
United News & Media, headed by Lord Hollick, yesterday played an unexpected move in the slow-moving game for control of HTV by agreeing to pay £73.7m for a 19.9 per cent stake in HTV.

The ITV company for Wales and the west has been a takeover target since the government decided to relax rules on ownership. But although a number of companies, including Carlton Communications, has had a close look, until now no-one has moved.

United News, which owns Anglia Television and controls Meridian Broadcasting, said it regarded the shareholding as an investment and had no plans to make an offer for the remainder. The official statement means that United cannot bid for HTV for six months, unless there is a material change in its circumstances, and for 12 months is prevented from bidding less than the £20p a share offered yesterday.

United is taking over the HTV stake in the form of a put and call agreement for Scottish Television's holding, which cannot be exer-

HTV



cised before November 1, when the Broadcasting Act comes into effect. The new rules mean that any one group can own any number of ITV licences up to a maximum of 15 per cent of the audience, including the BBC, so United would be allowed to take over HTV.

United said it was desirable to forge closer links throughout ITV "both to optimise the channel's competitive position and to generate further operating efficiencies".

The company, which also owns the Express, will derive additional benefits from the fact that Scottish decided to sell its stake. United owns TSMS, the advertising sales house which sells advertising for HTV. While HTV's advertising revenues amount to only 6 per cent of the ITV network, it comprises 24 per cent of TSMS's business.

The United stake in HTV comes close to sterilising the broadcaster as a takeover target. Advisers for Carlton had meetings with HTV advisers but could not agree on price.

The imminent sale of Plymouth-based Westcountry could also have influenced Lord Hollick. On Monday, Westcountry will review bids and it is believed that Carlton has offered more than United for the small franchise.

GUS warns as mail order feels squeeze

By Ross Tienman

Great Universal Stores yesterday made its second profits warning this year, announcing that first-half pre-tax profits would be 1 per cent down on last year's £237.5m.

The company blamed intense competition in its UK mail order business, and the impact of a falling rand on profits from retailing furniture in South Africa.

Analysts said the

announcement would increase the incentive for Lord David Wolfson of Sunningdale, who took over as chairman in August, to take further steps to tackle the difficulties facing the home shopping business.

Many cut their forecasts decisively after Lord Wolfson told the company's annual meeting that "profit increases made by other divisions have not fully compensated for the lower output in UK Home Shopping

and the adverse movement of the South African rand."

Ms Emma Burdett, of brokers Hoare Govett, said GUS was now on course to make £585m pre-tax for the year, rather than the £500m expected. Mr Sean Eddie, of NatWest Securities, cut his forecast from £607m to £585m. If they are right, GUS will still report an advance on the £581.1m achieved in the year to March 31, maintaining its 48-year growth record. But the margin of improvement

has been narrowing.

The shares, down 17½p to 617p, received some support from expectations among institutional shareholders that the new chairman may progressively increase the dividend to return part of the group's £1bn cash mountain to investors.

However, some of the money may be used to launch new direct mail order catalogues and reorganise GUS's traditional operation run through agents. UK

home shopping is GUS's biggest division, accounting for more than a third of trading profits. Sales fell by almost 3 per cent during the first half.

Analysts say the UK's retail recovery has been among middle-class consumers.

In South Africa, GUS has enjoyed compound sales growth of 25 per cent a year at its 400 furniture stores. But it is thought that the 20 per cent decline in the rand has trimmed first-half profits by 25m.

C&W makes the connection

Alan Cane talks to Richard Brown, chief executive

Fresh from college, Richard Brown had the choice of joining the US Navy as a fighter pilot or working for the local telephone company. His father, learning that Ohio Bell would pay the unheard of starting salary for those days of \$10,000 a year, left the young graduate in no doubt where his future lay.

Mr Brown, now 49 and since July chief executive of Cable and Wireless, the UK-based telecoms group, says he has never regretted the decision. But the manner in which he pushed through this week's spectacular deal, which saw a new power in UK telecoms forged from the C&W subsidiary Mercury Communications and three UK cable companies - Nynex CableComms, Bell Cablemedia and Videotron - suggests his gladiatorial instincts remain intact.

"In an industry as fast moving as telecoms," he says, "you do not have the luxury of each big decision coming sequentially to you when you are ready for it. When it happens you must make your judgment."

The deal and the manner of its making have established Mr Brown, a comparative unknown in the UK despite a distinguished record in US telecoms, as a force to be reckoned with.

It will create a new company, Cable & Wireless Communications, in which C&W will have a 52.6 per cent stake. Nynex Corp and Bell Canada International will hold 18.5 per cent and 14.3 per cent respectively. It will provide local, national and international voice and data services, as well as multi-

channel television and Internet services.

The deal marks a step-change in the consolidation of the UK cable industry, while providing Mercury with the opportunity to market direct telephone services, along with cable television, to 8m homes.

Mercury, once the sole competition for British Telecom in the UK, derives most of its revenues from providing long distance and international services to business customers. It has failed to make an impression on the residential market, where BT owns the final connection between the exchange and the home.

The ability to combine telephony and television under a single brand could shift the balance and, according to one analyst, enable CWC to take up to 25 per cent of BT's market. Looked at another way, C&W paid a mere £360m to buy a foothold in the residential telephone market.

C&W's initial investment, however, is small beer compared with the cost of building the cable company's networks. While the cable partners are heavily in debt, C&W is cash rich and able to borrow on much more favourable terms. It has also reserved the right to float the new company next year.

Mr Brown says: "This is not a business in the red on day one." The combined new company was "substantially" Ebitda (earnings before interest, tax, depreciation and amortisation) positive. "Our cable companies are coming out of their J curves," he added, referring to the distinctive pattern of



Richard Brown: 'you do not have the luxury of each big decision coming sequentially'

investment and return for capital intensive companies.

It will not be easy to make the deal work, however. He admits that "the hardest part - to execute the deal efficiently - is yet to come. It will take between four and six months to complete the transaction because of legal and tax issues, but that is not going to stop us seeking synergies even before the company is a legal entity."

Mr Stephen Pettit, C&W director for Europe and mobile, is leading a team that will identify those who will run the new company. External candidates will vie with the leading executives inside Mercury and the cable companies for a place at a top table of half a dozen senior managers.

They will have to run to keep up with Mr Brown, a cheerful, open man, who survives on four hours sleep a night sustained by copious draughts of coffee. He is already a convinced Anglophile with a passion for

cricket. Meeting his old colleague Richard Nottbart, chief executive of Ameritech, last week, he declared he no longer knew or cared who was playing in the US baseball world series.

Mr Brown is a previous vice-chairman of Ameritech, the US regional telephone company, and had moved on to be president and chief executive of H&R Block, a Kansas City-based tax preparation company, which is a household name in the US.

While he has 27 years experience of telecoms, neither he nor the C&W team has much experience of entertainment and television where competition will be fierce. "We have a resource to draw on that goes beyond the UK. We have the opportunity to draw on talent from Hong Kong, where we are rolling out an advanced, interactive multimedia offering next year."

Analysts say, however,

that the future of Hong Kong Telecom, which provides the bulk of profits, is open to question after the UK relinquishes control to China next year. Mr Brown is flying to China this weekend to meet senior officials.

He acknowledges that "there are things we can do better to synchronise our operations around the world. We focus, for example, on big business accounts with Mercury in Europe and we do the same in Hong Kong. But in the US we focus on medium-sized and small businesses, so we have to align things better there."

The big problems lie ahead but, for the moment, C&W and Mercury are enjoying a sense of euphoria that has been absent for months. Mr Brown, however, plans a rare moment of relaxation. "In a moment of weakness, my wife agreed to go fishing with me. I've chartered a boat and I'm going for the big one." Some would argue it is already in the bag.

Reuters sees slowdown as client base consolidates

By Motoko Nish

Consolidation in its banking client base and new product lines held back third-quarter growth at Reuters Holdings, the news and financial information group.

The group, which last year warned it would be unable to maintain double digit growth, raised revenues 9 per cent in the third quarter to £736m. Excluding exchange rate movements, revenues grew 10 per cent.

This represented a slowdown from the first half of the year, when revenues rose 11 per cent to £1.44bn.

Mr Michael Cooling, spokesman, yesterday said mergers and takeovers in the banking sector had cut back new orders of its financial information products.

Growth was also restrained by the launch this year of Reuters 3000. Sales in the first nine months increased by 10 per cent to £2.17bn, compared with £1.97bn.

Mr Anthony de Larrinaga, analyst at Panmure Gordon, said: "Most attention was focused on sales of Reuters 3000. But it is really too early to draw any conclusions." Pre-tax profit fore-

casts for the full year remained unchanged at \$64m, giving earnings of 29.6p.

The shares rose 6p to 778p.

Reuters said it would concentrate on capturing market share from competitors like the Bloomberg network. Commenting on this week's takeover of JCV, the share price data supplier, by Primark, the US financial information and technology company, Mr Cooling said: "We will wait and see if it is a challenge. Obviously they have a lot to do to bring it all together."

Stakis silent on Metropole move

By Scheherazade Daneshkhu, Leisure Industries Correspondent

Stakis, the Glasgow-based hotels and casino group, would not comment yesterday on speculation that it was planning a £200m rights issue to fund a move for Lombard's Metropole hotels.

However, it is believed to be front-runner for the five UK conference hotels which are expected to fetch £300m-£350m.

Figures released yesterday for the final quarter of its year to September 30 showed an improvement in the casino business, which disappointed last year, and a continued strong performance from the hotels side.

In the casinos division, turnover rose from £18.1m to £14.3m. Spend per head dropped by 9 per cent to £116, while the cash drop - the amount exchanged for chips - was flat.

However, like-for-like figures, which exclude the Baracuda casino sold to Ladbroke in February for £27.5m, reflected better underlying trading after an additional £1m in costs to improve the business. The cash drop rose 13 per cent to £54.6m and spend per head 12 per cent to £123.

Mr David Michels, chief executive, said the changes "are beginning to reap rewards, albeit too late to offset the fall experienced earlier this year".

A replacement for Mr Jim McCarroll, managing director of the casino division until June, had been identified, although Mr Michels said he could not yet be named. He hoped he would join the company in the new year.

There was continued improvement in the hotels division. Occupancy in the final quarter rose to 84.3 per cent (79.6 per cent); the average for the year improved to 78.3 per cent.

Yield per available room rose 11 per cent in the quarter to £39.80 and by 12 per cent for the year as a whole to £35.40.

Mr Michels said there was more to go for in room rates and was confident about prospects in the sector.

Turnover in the health and leisure division, formed after the £19.8m acquisition of LivingWell in May, was £8m in the fourth quarter. Stakis said this met group objectives.

Net debt at the year end was £158m (£121m) giving gearing of 38 per cent.

NEWS DIGEST

New bid for My Kinda Town

My Kinda Town, the theme restaurant chain which was nearly taken over last year, yesterday said it had received another bid approach.

However, the potential offer was "unlikely to be at a significant premium to the current share price," it said. The shares rose 8p to 171½p, and had risen before the announcement, valuing the company at more than £33m. It floated in early 1994 at the equivalent of about 140p, but the price dipped below 100p in May last year.

The company, which runs 56 restaurants under such names as Henry J Beans and the Chicago Pizza Pie factory, received an offer in September 1995 from Chez Gerard, the London restaurant group. However, talks broke down on a disagreement over price. Last month it reported reduced annual pre-tax profits of £2.57m (£3.4m) on turnover of £31.4m.

In May this year Mr Hugh Osmond and Mr Luke Johnson, non-executive directors, made £717,500 when they each sold 512,500 shares at 140p. They each retained 217,500 ordinary and 375,000 deferred convertible shares. A fifth of the shares are owned by Schroder Investment Management and 10 per cent by board members or their associates.

Arcadian calls for £14.9m

Arcadian International, the hotel operator and leisure developer, is raising £14.9m through a rights issue to launch its Malmesbury hotel format and develop the Great Eastern Hotel, the only hotel in the City.

The issue of 36.5m shares, on a 1-for-3 basis at 45p, is underwritten by Charterhouse Tilney.

Banking facilities will be raised from £31.2m to £41.7m, which together with the rights proceeds will fund a number of projects. Net debt will be £34m, with gearing falling from 58 per cent to 46 per cent.

Against a backdrop of a difficult hotels sector where there were a number of competitors seeking to raise money, the institutional reaction had been "very strongly" in favour of the issue, said Mr Robert Beare, the chief executive who founded the group in 1990.

The group is concentrating on its Malmesbury hotel, bar and brasserie format, and plans to set up a joint venture company with Mr Ken McCulloch, a former hotelier of the year. There are already two Malmesbury hotels in Glasgow and Edinburgh.

Ladbroke in property disposal

Ladbroke Group, the hotels and betting company, yesterday continued its withdrawal from the commercial property market with an agreed £37m sale of London offices let to Paribas, a subsidiary of Banque Paribas.

The sale of the freehold to Minerva is conditional on the private property company obtaining a full listing next month - it is planning a £150m flotation. The Grade II listed building in Wigmore Street comprises 66,000 sq ft of offices let to Paribas and 6,000 sq ft of retail space. It also contains 15 flats occupied on 99 year leases and underground parking. Its book value at December 31 was £41m.

Ladbroke said the proceeds would be used to reduce net debt, which stood at £1.02bn at June 30, and for investment. The sale brings the total raised by Ladbroke from property disposals this year to £156m, of which £100m was achieved through the May sale of the Langham Hilton Hotel. It reduces the property portfolio from £1bn two years ago to £220m.

Scheherazade Daneshkhu

Littlewoods chief revamp

Littlewoods' new-broom chairman, Mr James Ross, has completed his boardroom reorganisation at Britain's biggest privately-owned company.

The board of the retail and football pools group has been reinforced by the appointment of two non-executive directors. Mr John Martyn, the finance director of Dalgety, the animal feeds group, and a former Littlewoods finance director, will be a "link" director. He will share responsibility for representing the interests of the Moores family, who own all voting shares in the group, with Mr John Nettleton and Mr James Suenesson-Taylor, who are already on the board.

Mr David Simons, the chief executive of Somerfield, the supermarket group, joins Mr Derek Cook and The Lady Grantchester (previously a representative of the family) as an independent director.

Ross Tienman

Life Assurance acquisition

Life Assurance Holding Corp, a life assurance venture fund linked to Sir Mark Weinberg, yesterday stepped up its involvement in the UK life and pensions market. It has agreed to buy the UK life and pensions business of Combined Life Assurance, a subsidiary of Aon Corp of the US, for an undisclosed sum.

The business will be handled by Windsor Life, LAHC's operating subsidiary. LAHC is a joint venture between New York Life Worldwide and St James's Place Capital, the UK life insurance group chaired by Sir Mark Weinberg.

Christopher Brown-Humes

Dana Petroleum cuts loss

New oil production helped Dana Petroleum, the independent oil production company, cut post-tax losses from £230,000 to £284,000 for the six months to June 30.

Dana, listed on the Dublin and London exchanges since January, produces oil in western Siberia with Lukoil Kogalymmetgaz and Yukos, Russia's largest oil groups. The company is projected to move into the black in 1998.

The company also announced a recommended all-paper offer for Petrocific, valuing the Irish oil and gas exploration and production company at about £8m.

Justin Marozzi

Royal & Sun sells Prosure

Royal & Sun Alliance, the insurance company, has sold its 78 per cent stake in Prosure, its South African subsidiary, to Mutual & Federal, of South Africa, for £717m (£88m). Royal & Sun has a 38.5 per cent interest in M&F. As part of the deal, Commercial Union of South Africa, a subsidiary of the UK insurance company, acquired Protek Life and the Prosure investment management arm from Prosure for £252m.

The sale follows the £6bn merger last May of Sun Alliance, owner of the Prosure stake, and Royal Insurance, with the M&F holding. Net asset value of the Royal & Sun Alliance holding in Prosure, including the Protek Life insurance company, was £565m at June 30. M&F is one of South Africa's largest insurance companies and is 50 per cent owned by Old Mutual.

Tim Gordon

Wm Cook cuts production

William Cook, the Sheffield-based steel castings specialist, has cut back production at some of its factories because of a downturn in orders in the second half.

The group reported a 12 per cent rise to £3.36m in pre-tax profits for the six months to September 28 on sales up to £58m (£56m).

Silk Industries reaches £1m

Silk Industries, the silk printer and weaver, yesterday announced interim pre-tax profits of £1.03m, up 6 per cent, and predicted considerable upside for its diversification into furnishing fabrics.

Turnover in the six months to the end of August rose 17 per cent to £7.66m.

RESULTS

	Turnover (£m)	Pre-tax profit (£m)	EPS (p)	Current dividend (p)	Date of payment	Dividends corresponding dividend	Total for year	Total last year
AAF Inds	5 mths to June 30	19.9 (11.1)	0.084 (0.517)	0.43L (2.34L)	-	-	-	-
Bloccore 5	Yr to June 30	4.23 (5.42)	0.14L (0.043)	1.14L (0.12)	-	-	-	-
Cook (Williams)	5 mths to Sept 28	58.2 (55.4)	0.326L (0.558L)	13.5 (10.85)	2.75	Jan 3	2.5	9
Dana Petroleum	6 mths to June 30	16.1 (25.8)	0.006 (1.04)	0.03 (5.88)	1.5	Dec 16	4.3	6.4L
East Midlands	Yr to July 27	54.5 (45.5)	0.982L (1.58L)	4.48L (9.78L)	-	-	-	-
Plant & General	6 mths to June 30	23.6 (22.4)	0.399 (1.57)	0.1 (2.5)	0.5L	Jan 2	1.2	3
Ridgeway Insurance	6 mths to July 31	0.963 (0.028)	0.175 (0.001)	0.261 (0.012)	-	-	-	-
Silk Inds	6 mths to Aug 31	7.56 (6.44)	1.03 (0.973)	5.5 (5.1)	2	Dec 2	2	6
West 175	6 mths to June 30	1.18 (1.81)	0.002L (0.311)	0.1 (0.63)	-	-	-	-
Investment Trusts	MAY (p)	Attributable Earnings (£m)	EPS (p)	Current dividend (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Fleming Japanese	Yr to Sept 30	251.1 (248.3)	1.57L (0.564L)	0.97L (0.33L)	-	-	-	-
Geared Income	6 mths to Sept 30	78.07 (85.32)	2.87 (1.98)	4.58L (4.49)	1.75L	Nov 29	1.75	5.5
TR Far East	Yr to Aug 31	179.5 (166.4)	3.24 (2.9)	6.62 (5.13)	1.7	Jan 2	1.5	6.5

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. After exceptional charge. After exceptional credit. 10n increased capital. 500m stock. *Comparatives for 12 months to June 30 1995. For 18 months. 400m stock. *Foreign income dividend. 500 currency. *Comparatives retained. *Second interim. makes 3.5p to date. 55% total of not less than 6.5p forecast for current year. *Excludes 1.5p special.

مكتبة النور

COMMODITIES AND AGRICULTURE

WEEK IN THE MARKETS

Copper ends week on a high

Copper moved above the \$2,000 a tonne level again yesterday on the London Metal Exchange - and some analysts say the price is set to rise further. In late trading copper for three-month delivery reached a high of \$2,028 per tonne, after starting the week at \$1,963.5.

LME WAREHOUSE STOCKS (as at Thursday's close)	
Aluminium	3,600 to 3,650,000
Aluminium alloy	940 to 78,700
Copper	13,325 to 145,825
Lead	11,225 to 117,775
Nickel	1,545 to 42,215
Zinc	450 to 546,850
Tin	40 to 10,255

Prices had hovered around the \$2,000 level all day after stocks fell by a hefty 13,825 tonnes - but finally broke loose of the psychologically important \$2,000 area in after-hours trading.

It was a fresh peak since September 5 when prices hit \$2,057, which some analysts say is the next target.

Analysts at Bain and Company claim that the "shorts" - those selling metals they do not own in the expectation that prices will fall and they can buy later and pocket the difference - were trying to keep a cap on the market. "Despite concerted efforts... the fundamentals are slowly but surely beginning to take control, with prices set to rise further over the coming days," they add.

Bain dismisses fears that more copper stocks are going to China - instead suggesting that large tonnages are set to be exported from European warehouses to the US.

About 100,000 tonnes of copper are estimated to have been shipped from LME warehouses to Shanghai stores over the summer - making the market ner-

vous about whether or when the Chinese will decide to deliver metal back to world markets.

Bain says that the movements to the west are taking advantage of the LME-COMEX arbitrage - trading designed to profit from price differences for the same goods in different markets. A glut of aluminium yesterday failed to match copper's gains, neither regaining the \$1,441 it hit in early trading. Having started the week at \$1,328.5, yesterday's prices lost steam when a stock drop of 3,600 tonnes was announced - much lower than rumoured. However, analysts say the metal may make more progress next week if stocks continue to erode.

Platinum prices dropped below those for gold for the first time in nearly three years yesterday. Analysts said the move reflected a dis-illusioned market which saw a sell-off by investment funds. Platinum prices have been weak for months in the face of steady supply from Russia, the main producer. The metal ended the day just 50 cents an ounce firmer than gold at \$383.4 an ounce. It had earlier sunk to recent lows around \$380.

"Classically platinum has gone to a discount to gold only in recession," said Mr Tony Warwick-Ching, an analyst at CRU International. "But we're not in a recession and it shouldn't be there."

In the oil markets, Brent Blend for delivery in December - the international benchmark - was at \$23.93 a barrel in late trading, against a close on Thursday at \$24.05.

On the IPE, Brent rose in the morning in what was widely interpreted as a small correction to Thursday's sell-off - but it found resistance at \$24.05.

"There is nothing new," said one trader. "A non-day and the volumes are pitiful. It is the end of the week."

Susanna Voyle

WEEKLY PRICE CHANGES

	Latest price	Change on week	1996 High	1996 Low
Gold per troy oz.	\$382.70	+2.45	\$382.00	\$373.00
Silver per troy oz.	\$325.50	-4.0	\$326.50	\$320.00
Aluminium 99.7% (cash)	\$1,405.0	+9.5	\$1,405.0	\$1,395.5
Copper Grade A (cash)	\$2,014.5	+7.8	\$2,014.5	\$1,963.5
Lead (cash)	\$730.5	+1.8	\$730.5	\$728.5
Nickel (cash)	\$71.80	+2.10	\$71.80	\$69.50
Zinc SHD (cash)	\$1,005.0	+1.5	\$1,005.0	\$999.5
Tin (cash)	\$54,000.0	+32.5	\$54,000.0	\$53,967.5
Cocoa Futures Dec	\$3,337	-20	\$3,315	\$3,283
Coffee Futures Nov	\$2,124	+18	\$2,124	\$2,106
Barley Futures Nov	\$2,175	+1.10	\$2,175	\$2,164
Wheat Futures Nov	\$2,180	+1.5	\$2,180	\$2,165
Cotton Futures Oct	\$71.50	-0.35	\$71.50	\$71.15
Oil (Brent Blend)	\$24.11	-1.17	\$24.11	\$22.94

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MARKET REPORT

By Lisa Branstetter in New York and Samer Iskandar in London

Signs of a slowdown in the housing sector and only mild growth in the manufacturing sector sent US Treasury prices higher in early trade yesterday.

Bond prices initially fell after the Commerce department said that durable goods orders rose 4.6 per cent in September - well ahead of the 1.5 per cent gain analysts had forecast - but the market was calmed by the fact that the increase was concentrated in the volatile air-conditioning sector.

Later in the morning, the market rose sharply after the release of data showing a 2.9 per cent decrease in sales of existing homes, the third consecutive monthly decline. The market-friendly data helped bonds recapture all of the losses made in quiet trading this week, sending the long bond yield back to the 6.8 per cent level.

Near midday, the benchmark 30-year Treasury was 1/4 stronger at 99 1/2, yielding 6.806 per cent, while the two-year note was 1/4 lower at 99 1/4, yielding 5.892 per cent. The December 30-year bond future rose 1/4 to 110 1/4.

European markets also performed well, on the back of rising bonds, following bullish comments by Mr Oskar Lafontaine, chief economist of the Bundesbank. Life's December bond future settled at 99.69, up 0.42, after Mr Lafontaine said he could not entirely rule out further rate cuts. This contradicted comments earlier this week which led to a fall in European bond prices.

Europe's high-yielding bonds - Spanish bonds in particular - once again outperformed other markets. The 10-year yield spread of bonds over bunds tightened by 6 basis points to 172 points, as the Spanish benchmark government bond rose by more than three-quarters of a percentage point to 107.09.

French bonds, however, underperformed, their yield spread over bunds rising 2 basis points from a negative 4 points.

BENCHMARK GOVERNMENT BONDS

	Coupon	Rate	Price	Yield	Week ago	Month ago
Australia	6.750	11/06	95.350	+0.070	7.41	7.57
Austria	5.875	07/06	98.400	+0.140	6.08	5.99
Belgium	7.000	05/06	108.370	+0.150	6.10	6.09
Canada	7.000	10/06	103.350	-0.280	6.54	6.51
Denmark	6.000	09/06	107.800	+0.140	6.86	6.82
France	5.500	10/01	102.450	-0.090	4.95	4.97
Germany	5.500	10/01	102.800	+0.220	5.97	5.95
Italy	6.250	04/06	101.640	+0.240	6.01	5.98
Japan	8.000	09/06	107.850	+0.270	6.90	6.94
Netherlands	6.000	10/01	102.250	+0.420	6.07	6.01
Portugal	8.500	02/06	112.700	+0.330	7.54	7.66
Spain	8.500	04/06	107.000	+0.770	7.89	7.77
Sweden	6.000	02/06	102.771	+0.100	7.17	7.24
UK Gilts	6.500	12/06	99.299	+0.100	6.88	6.95
US Treasury	6.500	12/06	99.299	+0.100	6.88	6.95

Source: Reuters, Bloomberg, and other market data providers.

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BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

ALUMINIUM, 99.7% PURITY (\$ per tonne)

	Settle	High	Low	Open
Close	1,405.5	1,415.5	1,395.5	1,405.5
Previous	1,391.2	1,401.2	1,381.2	1,391.2
High/Low	1,391.2	1,415.5	1,381.2	1,405.5
AM Official	1,395.5	1,405.5	1,385.5	1,395.5
AM Official	1,415.5	1,425.5	1,395.5	1,415.5
Open int.	222,573			
Total daily turnover	114,848			

ALUMINIUM ALLOY (\$ per tonne)

	Settle	High	Low	Open
Close	1,259.0	1,269.0	1,249.0	1,259.0
Previous	1,249.0	1,259.0	1,239.0	1,249.0
High/Low	1,249.0	1,269.0	1,239.0	1,259.0
AM Official	1,249.0	1,259.0	1,239.0	1,249.0
AM Official	1,269.0	1,279.0	1,249.0	1,269.0
Open int.	5,878			
Total daily turnover	1,242			

LEAD (\$ per tonne)

	Settle	High	Low	Open
Close	730.1	737.8	722.4	730.1
Previous	722.4	730.1	714.7	722.4
High/Low	722.4	737.8	714.7	730.1
AM Official	722.4	730.1	714.7	722.4
AM Official	737.8	745.5	722.4	737.8
Open int.	40,450			
Total daily turnover	10,417			

NICKEL (\$ per tonne)

	Settle	High	Low	Open
Close	7,155.5	7,250.0	7,050.0	7,155.5
Previous	7,155.5	7,250.0	7,050.0	7,155.5
High/Low	7,155.5	7,250.0	7,050.0	7,155.5
AM Official	7,155.5	7,250.0	7,050.0	7,155.5
AM Official	7,155.5	7,250.0	7,050.0	7,155.5
Open int.	44,040			
Total daily turnover	9,086			

TIN (\$ per tonne)

	Settle	High	Low	Open
Close	5,935.5	5,990.0	5,880.0	5,935.5
Previous	5,935.5	5,990.0	5,880.0	5,935.5
High/Low	5,935.5	5,990.0	5,880.0	5,935.5
AM Official	5,935.5	5,990.0	5,880.0	5,935.5
AM Official	5,935.5	5,990.0	5,880.0	5,935.5
Open int.	16,030			
Total daily turnover	4,030			

ZINC, special high grade (\$ per tonne)

	Settle	High	Low	Open
Close	1,005.5	1,030.0	990.0	1,005.5
Previous	1,005.5	1,030.0	990.0	1,005.5
High/Low	1,005.5	1,030.0	990.0	1,005.5
AM Official	1,005.5	1,030.0	990.0	1,005.5
AM Official	1,005.5	1,030.0	990.0	1,005.5
Open int.	70,204			
Total daily turnover	22,092			

COPPER, Grade A (\$ per tonne)

	Settle	High	Low	Open
Close	2,014.5	2,028.5	1,999.5	2,014.5
Previous	2,014.5	2,028.5	1,999.5	2,014.5
High/Low	2,014.5	2,028.5	1,999.5	2,014.5
AM Official	2,014.5	2,028.5	1,999.5	2,014.5
AM Official	2,014.5	2,028.5	1,999.5	2,014.5
Open int.	70,204			
Total daily turnover	22,092			

LME CLOSING O/S RATE, 1.808%

Settle: 1.808% 3 mth; 1.808% 6 mth; 1.808% 12 mth; 1.808%

HIGH GRADE COPPER (COMEX)

	Settle	High	Low	Open
Close	101.20	101.20	101.20	101.20
Previous	101.20	101.20	101.20	101.20
High/Low	101.20	101.20	101.20	101.20
AM Official	101.20	101.20	101.20	101.20
AM Official	101.20	101.20	101.20	101.20
Open int.	464			
Total daily turnover	464			

GOLD (\$ per troy oz.)

	Settle	High	Low	Open
Close	382.70	382.70	382.70	382.70
Previous	382.70	382.70	382.70	382.70
High/Low	382.70	382.70	382.70	382.70
AM Official	382.70	382.70	382.70	382.70
AM Official	382.70	382.70	382.70	382.70
Open int.	464			
Total daily turnover	464			

SILVER (\$ per troy oz.)

	Settle	High	Low	Open
Close	325.50	325.50	325.50	325.50
Previous	325.50	325.50	325.50	325.50
High/Low	325.50	325.50	325.50	325.50
AM Official	325.50	325.50	325.50	325.50
AM Official	325.50	325.50	325.50	325.50
Open int.	464			
Total daily turnover	464			

PLATINUM (\$ per troy oz.)

	Settle	High	Low	Open
Close	1,259.0	1,269.0	1,249.0	1,259.0
Previous	1,259.0	1,269.0	1,249.0	1,259.0
High/Low	1,259.0	1,269.0	1,249.0	1,259.0
AM Official	1,259.0	1,269.0	1,249.0	1,259.0
AM Official	1,259.0	1,269.0	1,249.0	1,259.0
Open int.	464			
Total daily turnover	464			

PALLADIUM (\$ per troy oz.)

	Settle	High	Low	Open
Close	1,182.5	1,182.5	1,182.5	1,182.5
Previous	1,182.5	1,182.5	1,182.5	1,182.5
High/Low	1,182.5	1,182.5	1,182.5	1,182.5
AM Official	1,182.5	1,182.5	1,182.5	1,182.5
AM Official	1,182.5	1,182.5	1,182.5	1,182.5
Open int.	464			
Total daily turnover	464			

RUSSIAN METALS (\$ per troy oz.)

	Settle	High	Low	Open
Close	1,182.5	1,182.5	1,182.5	1,182.5
Previous	1,182.5	1,182.5	1,182.5	1,182.5
High/Low	1,182.5	1,182.5	1,182.5	1,182.5
AM Official	1,182.5	1,182.5	1,182.5	1,182.5
AM Official	1,182.5	1,182.5	1,182.5	1,182.5
Open int.	464			
Total daily turnover	464			

RUSSIAN METALS (\$ per troy oz.)

	Settle	High	Low	Open
Close	1,182.5	1,182.5	1,182.5	1,182.5
Previous	1,182.5	1,182.5	1,182.5	1,182.5
High/Low	1,182.5	1,182.5	1,182.5	1,182.5
AM Official	1,182.5	1,182.5	1,182.5	1,182.5
AM Official	1,182.5	1,182.5	1,182.5	1,182.5
Open int.	464			
Total daily turnover	464			

RUSSIAN METALS (\$ per troy oz.)

97.15	+2.20	97.25	94.20	9,974	24.07
95.85	+2.20	95.00	94.00	333	1.68

COMMENT & ANALYSIS

FINANCIAL TIMES

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Weekend October 26/October 27 1996

Revolution in the City

The wave of reforms that engulfed the old London Stock Exchange ten years ago this weekend is evocatively conjured up in the title *Big Bang*. Yet the description, covering a clutch of stock market reforms, gives a misleading impression.

The changes – including the abolition of fixed commissions on share transactions, the reform of the dealing system and the opening up of the old Stock Exchange club to outsiders – were not a one-off event. They were part of a wider transformation in the capital markets which started with the abolition of exchange controls in 1979. We have witnessed a permanent revolution, not a passing one, in which information technology has been the most potent driving force and to which liberalisation has imparted a heavy push.

The importance of *Big Bang* in this revolution was that it reduced the parochialism and increased the professionalism of a central part of the London market. In the mid-1980s, London's dealing system was at odds with that prevailing in the international markets. The combined capital of the jobbers amounted to less than £100m, while the total profits of the exchange's members were less than the annual profits of Salomon Brothers in New York.

In effect, the exchange had become a backwater. The big business in London was taking place on the dealing screens in the euromarkets, where foreign banks had elbowed aside the British merchant banks and brokers to take a dominant position. Instinctive caution on London's Stock Exchange had ensured that much of the euro-bond business was driven away to the Luxembourg exchange. To the extent that the British were doing anything innovative, it was in the newer areas of the City such as the London International Financial Futures Exchange (Liffe).

Dramatic reduction

Members of the old Stock Exchange were risk averse partly because they could afford to be. They enjoyed a cushion of subsidy in the form of fixed commissions, which were especially fat on long-dated gilts, at the expense of investors. The biggest benefit of *Big Bang* has been to bring about a dramatic reduction in dealing costs for big investors. But it has also reinforced London's position as the pre-eminent European financial centre by bringing the

domestic and foreign parts of the City back together again and by increasing the efficiency of the business.

International equity dealing has been a remarkable growth area in the past ten years. With its *Seaq* International dealing system, the rejuvenated Stock Exchange took a disproportionate share of the business. Even though continental European exchanges have since imitated London's *Big Bang*, the volume of business in London continues to grow, even if the market share is falling. By helping turn wholesale finance into an internationally tradeable service, the City has generated many new jobs since 1986.

Clear winners

Increased competition has, however, made the City more profit-hungry and exposed weaknesses in management. The biggest losers have been the US commercial banks, which threw away large sums on acquisitions in London that did not work. Management of the British-owned merchant banks – and indeed the Stock Exchange itself – has proved to be of decidedly mixed quality.

The clear winners have been those US investment banks that chose to build their operations without resort to takeovers. Having already experienced deregulation in 1975, they enjoyed a considerable edge. The message for policymakers is that being first with liberalisation helps foster competitive advantage.

Among the disadvantaged are small investors, who have suffered the loss of a cross-subsidy from large ones. And the degree of trust that existed in the intimacy of the old club has gone, causing the bill for supervision to soar. In the low-trust ethos of today's international market place, legalism is rampant.

The growth in proprietary trading since *Big Bang* has increased the degree of risk in the system, which is now compounded by the leverage inherent in derivative instruments such as futures and options. The collapse of Barings was a pointer. And when such trading is conducted by banks that are too big to fail, moral hazard leads to a contingent liability on the taxpayer.

A bill will probably emerge in due course. Banks fall, especially during revolutions. Happily, most of the shocks since *Big Bang* have been salutary. That makes for quite a worthwhile anniversary.

An addiction to money

Jurek Martin explains why unprecedented sums have been spent on supporting the US presidential election campaigns

Last Monday, Mrs Hillary Clinton and Mrs Tipper Gore spent a pleasant social evening with friends in a smart section of Washington. They also gave thanks, because their hostesses were members of the Women's Leadership Forum of the Democratic National Committee. This well-heeled group has raised a cool \$8m (\$25m) to help party candidates, from the presidential ticket downwards, win elections on Tuesday week.

There was nothing shady or abnormal about the occasion. Mrs Liddy Dole has done countless fundraisers on behalf of her husband, Bob, and the Republican party. If billionaire Mr Ross Perot of the Reform party needed the money, then doubtless his wife would have been in the trenches with her hand out, too.

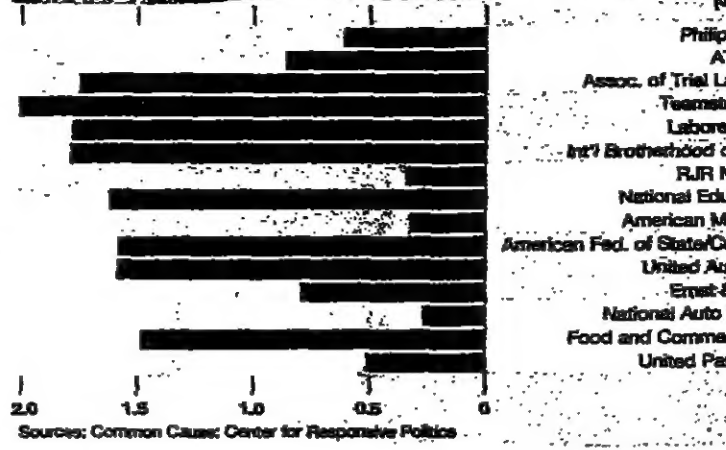
Money and politics have long been indivisible. But this year, when as much as \$900m (three times more than four years ago) may be spent to elect a president and a similar sum a Congress, the excesses of the relationship have rarely seemed more glaring.

If serious campaign finance reform becomes a reality, as many who have left elective politics in disgust at the money round are demanding, then the experiences of 1996 will have been material in bringing it about. Much of the recent sound and fury represents a desperate attempt by Mr Dole to prevent what now appears an inevitable Bill Clinton victory. In his opening broadside against the president's ethics last week, he admitted he was far from a "perfect messenger" for higher standards. But his indictment of Mr Clinton and the Democrats makes for disturbing consideration.

A humble Indonesian landscape gardener and his wife, legal US residents in northern Virginia, gave \$425,000 to the Democratic National Committee (DNC). The funds appear traceable to the Indonesian Lippo conglomerate founded by Mr Mochtar Riady, which set up a bank in Arkansas when Mr Clinton was governor. Instrumental in arranging the contribution was Mr John Huang, a former Lippo employee, later an under-secretary of commerce in the Clinton administration and, until relieved of his duties last week, the Democratic party's chief fundraiser among Asian-American businessmen.

Last spring, a so-called "outreach" event at a Los Angeles Buddhist temple, also staged by Mr Huang and attended by vice-president Al Gore, raised about \$140,000. One participant, of Chinese extraction, says she was handed \$5,000 by a stranger and told to sign a cheque to the DNC.

The DNC has returned a \$250,000 donation from a South Korean company, having learnt it was not made legally by its US



subsidy but was transmitted directly from Seoul.

It also returned \$20,000 to Mr Jorge Cabrera, a Cuban emigre, after discovering he was a convicted cocaine dealer, but not before he was present at a White House reception attended by Mrs Clinton and a Miami fundraiser with Mr Gore. Democrats claim his prior criminal record was not related to narcotics.

These cases all involve non-citizens or the foreign-born, which has given Mr Dole a nice campaign line about "foreign aid flowing back to America". The voting public does not seem to be listening, however, and neither he nor his party, as he admitted, is exactly squeaky clean.

Mr Dole, representing agricultural Kansas in Congress for 35 years, has long been close to non-fossil fuel energy interests. Among his roster of contributors are Florida's Fajul sugar family, also from Cuba and now with Spanish passports, and Mr Dwayne Andreas, head of Archer Daniels Midland, the agribusiness giant which pleaded guilty earlier this month to price-fixing charges. The Republican party also returned an improper \$15,000 contribution from a Canadian company, Methanex, which produces methanol.

Less in the public realm, until recently disclosed by the Los Angeles Times, were contributions in excess of \$1m over the years from E&J Gallo, California's biggest producer of bulk

wine, in return for assistance over wine labelling legislation.

The inference in all the above is that money buys favours and influences policy, though the Clinton administration firmly denies it softened its criticism of Indonesian sweatshops and trade practices due to the Lippo connection. That will doubtless come under scrutiny if the Republicans retain a majority in Congress.

But the larger question most difficult to answer is why so much money is deemed necessary to get elected. One explanation, hardly satisfactory, is that it has become axiomatic in politics that the one sure way to win is to outspend an opponent, invariably on TV advertising. This is not always so. Nearly \$30m could not get Mr Michael Huffington the Senate seat from California in 1994. But it would take a brave political candidate to buck contemporary wisdom.

There are campaign finance laws on the books. Presidential candidates receive matching federal funds for primaries (about \$7m each this year) and an outright grant for the election proper (\$25m each for Messrs Clinton and Dole, \$20m for Mr Perot). Ceilings that may not be exceeded. Individuals may contribute no more than \$2,000 to a particular campaign, half for primaries, half for the election proper. Parties may transfer up

US politics: who pays the parties?

Donations from US subsidiaries of foreign companies, 1995-96		
Company (\$)	Democrat	Republican
Joseph E. Seagram & Sons	Canada	435,000
Brown & Williamson Tobacco	UK	400,000
News Corp.	Australia	351,000
ICI Americas	UK	145,400
Glaxo Wellcome	UK	232,500
British Petroleum	UK	161,573
Sony Corp. of America	Japan	78,350
Chiqui Petroleum	Venezuela	55,000
Northern Telecom	Canada	55,000
Daniel Doyle - Danka Industries	UK	100,000

Top campaign contributors

(\$m)

Democrat

Republican

Philip Morris

AT&T

Assoc. of Trial Lawyers of America

Teamsters Union

Labors Union

Int'l Brotherhood of Electrical Workers

RJR Nabisco

National Education Assoc.

American Medical Assoc.

American Fed. of State/County/Municipal Employees

United Auto Workers

Ernst & Young

National Auto Dealers' Assoc.

Food and Commercial Workers Union

United Parcel Service

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LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 3938, e-mail: letters.editor@ft.com. Published letters are also available on the FT web site, <http://www.ft.com>. Translation may be available for letters written in the main international languages.

The complex world of restructuring

From Dr W. Stammers.

Sir, Stephen Roach, in his article on the need for Europe to follow the UK lead and to emulate US "restructuring successes" in "job-shedding and compression of workers' wages and benefits", lists the high-cost producers, headed by Germany with hourly compensation at \$32, about double that of the US ("Lessons in restructuring", October 22).

I wonder if he can explain:

- Why Germany consistently runs a visible trade surplus, while the US and the UK, aided by restructured labour costs and devalued currencies, run a deficit?
- Why western Germany's total employment level has only very recently decreased, while that of the UK has been depressed for several years?
- Why OECD figures for aggregate profits (for 1994), relative to gross domestic

product, do not show any great disparity among the three countries, profits being about 20 per cent in each case?

I am not implying by these questions that the material is in error. But I am suggesting that the world may be somewhat more complicated than he thinks.

W. Stammers,
49b Fen End,
Over,
Cambridge CB4 5NE, UK

No offence

From Ms Jenny Polak.

Sir, I was touched to see my work in the show *Rubies (and Rebeles)* described by your reviewer as "aggressively political". ("The art of identity", October 7). Excluded from the show, for fear of offending the sponsors, was all of my work that develops Jewish anti-Zionist positions. Had reviewers and public been allowed to see a fuller range of my work and that of other artists whose concerns fell outside the narrow prescriptions of "Jewish female identity" applied by this show's curators, they would not have had to wonder at the apparent absence of the "here and now" from the consciousness of British Jewish women.

Jenny Polak,
134 Saint Felix Street,
Brooklyn,
NY 1217, US

Opportunity

From Mr Brian N. Chandler-Lorenz.

Sir, Your front page headline warning of the cost to retailers of introducing the euro (October 25) is misleading.

Since when did retailers let an opportunity like this pass? Is it not, like the decimalisation of sterling, and metrication, yet another wonderful chance to hike up the prices and increase profits? The headline should have read "Euro may cost consumers ...".

Brian N. Chandler-Lorenz,
Bad Krozingen,
Germany

Behaviour that does not generate confidence

From Mr D.B. Harley.

Sir, In his letter about Economic and Monetary Union, Mr Tim Melville-Ross, director-general of the Institute of Directors (October 16), asks why you, the FT, still allude to the UK's depressing record of "rising wages and prices followed by devaluation".

In case it has passed the notice of Mr Melville-Ross, he should be reminded that in June 1980 one pound sterling bought US\$2.61, DM11.71, FF13.76, SF12.12 and

Y1.012. By October 1995 one pound sterling would only buy US\$1.58, DM2.15, FF7.72, SF1.768 and Y1.73. All in all, devaluations in 35 years of more than 40 per cent against the US\$ and French franc, and more than 80 per cent against the D-Mark, Swiss franc and yen.

In the past 12 months the pound has made some recovery on the foreign exchange markets, but this does not underpin the assertions made by Mr Melville-Ross that the UK would

be better off outside Ecu. Thirty-five years of a chronically devaluing currency, with all the miseries of inflation under successive UK governments, does not altogether fill one with confidence for a future economy which, in Mr Melville-Ross's own words, "behaves so differently from others in Europe".

D.B. Harley,
51, rue Joseph Thierry,
37230 Luynes,
France

Spain has justifiable interest in Gibraltar crime

From Mr Michael Langdon.

Sir, Mr P.R. Caruana, the chief minister of Gibraltar, claims in his letter of October 22 that the problem of crime in Gibraltar "... is not a matter for discussion with Spain, any more than the British government would discuss with Spain the problem of crime in Brighton".

Leaving aside the chief

minister's attempt to situate Gibraltar, for effect, in the home counties in the UK, he is being merely disingenuous or does he really not know that a large proportion of the drugs which find their way into Spain from Morocco do so, in one way or another, via Gibraltar?

Spain, therefore, has a right, as well as a very real interest, in discussing crime in Gibraltar

with the UK government. Sniping at "false Spanish propaganda" from behind Auntie UK's skirts is no substitute for the truth of the matter – finance centre, or no.

Michael Langdon,
Calle del Miro 8,
28223 Somosaguas,
Madrid,
Spain

Meet the leaders

The decision makers, thinkers and movers in business and in politics are gathering in Malta to discuss, with you, the future development of the Euro-Mediterranean area.

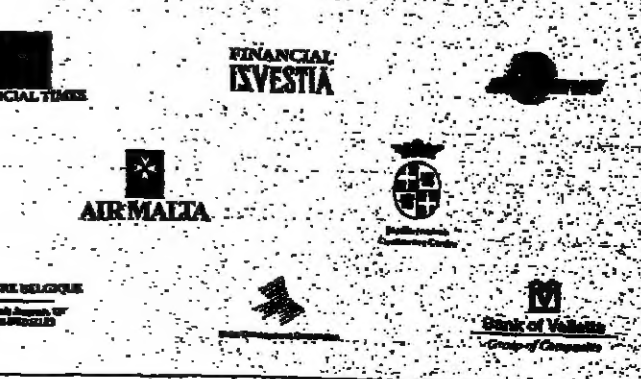
Following the tremendous success of the first Mediterranean Crans-Montana Forum, the Government of Malta is organising, under the auspices of the Council of Europe, the European Commission, UNIDO, UNESCO, the United Nations Economic Commission for Europe and a number of Heads of State and Heads of Government,

the second
MEDITERRANEAN CRANS-MONTANA FORUM
28 November - 01 December 1996
Valletta, Malta

The Forum's objective will be that of creating political, economic and technical cooperation between the member states of the future 800-million-strong Euro-Mediterranean Area envisaged by the European Union for the beginning of the XXI century.

The Mediterranean Crans-Montana Forum is a unique opportunity to a diverse network of individuals from throughout the region – and beyond – in a hands-on series of discussions regarding the future development of the region. Participation will help you gain deeper insights into our rapidly changing world, and offer valuable contact for your challenging leadership decisions in an increasingly global environment.

The Mediterranean Crans-Montana Forum will be distinguished by its adherence to two basic principles: a strictly limited number of select participants and an intellectually charged atmosphere free of protocol, ensuring maximum interaction and personal contact.



OCTOBER 26/OCTOBER 27
oney
have been spent
campaigns
who pays the parties

Men in the News • Emap's directors

Boardroom backstabbing

William Lewis and Christopher Price on the rancour-riddled group



Making headlines: (left to right) Arculus has been peacemaking between Sir John Hoskyns, Simmonds and Miller

Yesterday was a bad day for Mr Robin Miller but probably a good day for staff at the Emap group. Normally, Emap's chief executive spends each Friday arriving unannounced by motorcycle to inspect one of the media and exhibition group's many offices in the UK. Instead Mr Miller spent yesterday seeking to explain a bitter boardroom feud that culminated in the Emap board's decision this week to call an extraordinary general meeting in December.

This followed a two-day board meeting in Melton Mowbray, Leicestershire, which tried in vain to resolve the row between Mr Miller and Sir John Hoskyns, chairman, on the one hand, and Professor Ken Simmonds and Mr Joe Cooke, two non-executive directors, on the other; the aim is being called to oust Prof Simmonds and Mr Cooke. Mr David Arculus, group managing director, attempted to act as a peacemaker, but to no avail.

For shareholders, who have seen the value of Emap's shares fall by 7 per cent this week, the drama of the week's events has been heightened by the disclosure that the board has been riven with this rancour for several years.

In particular, it emerged that Mr Graham Ross Russell, Sir John's predecessor as chairman, fell out with Mr Miller and Mr Arculus, and was forced out of the company in 1994. A memorandum prepared by Mr

Ross Russell also talked of tensions between Mr Miller and Mr Arculus - neither of whom comes across as aggressive or even assertive "in their daily running of the company".

There were two questions for the bewildered shareholders. How could the company have been so successful with such ill feeling in its boardroom? And how had things got so out of hand that Emap now has to endure several weeks of campaigning, likely further to undermine the price of its shares?

Emap's record as a growth company is exceptional. Its market capitalisation has grown from £60m (\$94m) 10 years ago to £1.5bn today. During this period Emap has grown from its newspaper roots to encompass consumer and business magazines, radio, exhibitions and more recently a strengthening of its French media operations. Led by Mr Miller and Mr Arculus, it has been particularly adept at exploiting niche publishing markets and also striking prudent prices for many of its acquisitions.

Between 1991 and October 1996, the share price has more than trebled, outperforming the FT-SE-100 All-Share index by 103 per cent and the media sector by 22 per cent, before this week's events.

Emap yesterday was keen to play down the extent of problems in its boardroom. "We have lots of arguments and we have not always agreed," said Mr Miller, a

former journalist, referring to his relationship with Mr Arculus, who was once a BBC television executive. "But that is the way we do things here." The company concedes that there are

often heated debates between executives, but attributes part of its long-running success to this unusual management style.

Sir John - an abrasive businessman who was one

of Mrs Thatcher's advisers - dismissed the idea that disagreements had got out of hand: "How can we have been so successful if there was so much ill feeling? If there were any serious prob-

lems on the board, I would not have allowed it to continue."

But shareholders will take some convincing that the rancour that came to light this week was part of the

normal cut and thrust of corporate life.

The extraordinary aspect of the feud at Emap is that it rarely seems to have been over the company's business strategy. Almost every big argument has been about personalities or boardroom procedure.

Disagreements first emerged in 1990, when non-executive directors, led by Prof Simmonds, who sees himself as the guardian of shareholders' interests, insisted that the company's articles of association be changed to ensure that there could be no fewer than five non-executives on the board. It followed concerns that Mr Miller was seeking to become executive chairman. Mr Miller yesterday said this had been "tosh" and that had not been his ambition.

At the beginning of this year Sir John and Mr Miller began to discuss changing the company's articles of association again. They wanted to scrap the rule requiring a minimum of five non-executives. These changes were presented to the Emap board in May, and provoked an immediate reaction. Prof Simmonds and Mr Cooke began campaigning against them, culminating in Prof Simmonds making a speech at the annual meeting in July.

At a board meeting in September, Prof Simmonds put forward ethical guidelines, which he wanted Emap to adopt to ensure that directors could not be forced off the board without certain processes being followed.

Following the board meeting Sir John and Prof Simmonds met privately. Accounts of the meeting differ but Sir John said Prof Simmonds thought he and Mr Cooke should go. Prof Simmonds responded that it was Sir John that should go.

Prof Simmonds then circulated a letter to all directors detailing his criticisms and asking them to consider voting Sir John off the board.

Sir John wrote to all directors seeking support for continuing as chairman and also for the removal of the two rebels. Ten of the 13-strong board gave their assurances. However, Mr Arculus, who had been taught at London Business School by Prof Simmonds before joining Emap, did not. He insisted that attempts should be made at this week's board meeting to end the dispute peacefully, but there was no ceasefire.

Emap is now braced for weeks of campaigning ahead of the agm, as well as further exposure of its long-running boardroom feud. Mr Miller admitted yesterday that the affair was distracting. "It is unfortunate for Emap, for its shareholders and for its staff," he said. But he denied it was affecting business and said the board would win the agm.

But even for a company which insists that conflict between its executives and directors is part of the secret of its success, the next few weeks are likely to prove a rigorous test.

Feuds, families and finance

Peter Montagnon asks if Pakistan can implement a tax and spending cuts programme

When the Sunday Express reported earlier this summer that Ms Benazir Bhutto, Pakistan's prime minister, had bought an estate in Surrey for about £2.5m (\$4m), the news caused barely a stir in Britain. But in Pakistan it is still a big talking point. It is seen as a particularly flagrant example of personal extravagance in a country running ever deeper into economic trouble.

This week's 8 per cent devaluation of the rupee against the dollar and harsh austerity measures served to ram the point home. Designed to placate the International Monetary Fund, the package was forced on the government by a 10 per cent cut in reserves. By the time it was announced on Tuesday, only \$76m, or enough to pay for just four weeks' imports, was left in the central bank's coffers.

Now the question is whether a government so tainted by corruption as Ms Bhutto's has the authority to push the measures through.

A first test will come today. The Federation of Pakistan Chambers of Commerce and Industry has called a nationwide strike to protest against the Rs40bn (\$665m) package of extra

taxes and expenditure cuts, most of which will fall heavily on development spending.

Pakistan's story is a familiar one of economic crisis and a reputation for corruption going hand-in-hand. The IMF package will test Ms Bhutto's survival capacity to the limit. She cannot afford to let it fail. Yet it comes as she is assailed on all sides. Her husband, Mr Asif Zardari, who serves as investment minister in her cabinet, has been the butt of widespread allegations of corruption in the local press, which he has vigorously denied.

As concern mounted this summer, President Farooq Leghari, a former bureaucrat, questioned her right to appoint judges and pressed her to tighten the rules on public accountability. This week she agreed to establish a bipartisan parliamentary commission to look into the matter.

In the fevered rumour mills of Karachi and Islamabad, talk is rife that the president is planning to replace her with a government

of technocrats, similar to that of Mr Moeen Qureshi, the former World Bank executive and her predecessor as prime minister.

Were that to happen, her second term of office would come to a premature and ignominious end, and with it, possibly, the political power of a family that first rose to prominence in the 1970s when her father, the still widely revered Mr Zulfikar Ali Bhutto, was prime minister.

Ms Bhutto's position on the matter is forthright. There is "a sustained campaign of character assassination" against her, she says. She intends to serve out the term for which she was elected, which runs to 1998. "Either the constitution works or conspiracies work. Both can't work together."

Yet Pakistan's problem is that democracy does not work particularly well when it is superimposed on what is still essentially a feudal, agrarian society. Almost 50 years after independence, Pakistan is still effectively

controlled by a handful of families, most of whom care little for the niceties of constitutional law.

For all her elegance and the eloquence that comes from being the pampered star of Oxford Union debates in the 1970s, Ms

Bhutto is still a product of that society. Her education may allow her to mingle easily with the British establishment and fellow Oxford alumni such as President Bill Clinton, but at home she has to live by local mores.

One need look no further than the tragedies within her own family to see how harsh those mores are. Her father was executed in 1979 by President Zia-ul-Haq. One brother, Shahnawaz, died in suspicious circumstances in France in 1986, and another, Murtaza, who had been a political rival, was assassinated in Karachi in September.

Now she is fighting for political survival, and it is in the nature of Pakistani politics that the fight will be dirty. Overly she has little to fear from the opposition Pakistan Moleen League; its administration, led by Mr Nawaz Sharif, was also tainted with corruption during its period in office from 1990 till 1993.

But she must satisfy both the army and an increasingly inter-

ventionist president that she can get a grip on the development resources wasted through corruption and on a banking system groaning under Rs120bn of bad debts because politically favoured borrowers do not see why they should repay their loans.

She must also persuade a suspicious public to accept the country's first tax on agriculture - which will hit the feudal landlords - and the inflationary results of devaluation. Already the price of petroleum products and gas has risen 10 per cent. Strikes and demonstrations against the sales tax rise in her June budget sparked the crisis that led to the devaluation.

However, Ms Bhutto can point to a number of achievements. Pakistan has gone further than many countries in attracting the private sector into power generation, critical to industrial development. She has restored some semblance of order to Karachi, having admittedly let violence

run rampant there last year. She has added substantially to the number of telephone lines and gas connections to rural areas.

But so evident is the strain facing her administration that when her husband left the country unexpectedly 10 days ago, many assumed the end was approaching and that he was leaving a ship sinking into a morass of sleaze. In the event - and just as the Indian press took up the story in gloating style - Mr Zardari returned home as if nothing had happened.

Though the latest indications from the president's camp and from the army are that relations have become a little less frosty, businessmen suggest things have deteriorated to a point where President Leghari may at least decide to curb her power by taking a direct responsibility for government finance.

And if she does pull through, there is still the question of how, after half a century of being let down by its political class, Pakistan can improve the quality of its government.

"In the 1960s," says one senior business executive, "countries like South Korea and Indonesia came to us looking for advice. Now they are sitting on billions of dollars and we have nothing."



Bhutto: political survival fight

Nostalgia in the wild east

Chrystia Freeland on the gulf between Moscow reformers and Russian regional warlords

Russia has a national flair for turbulence, but nowhere do tensions run higher than in Vladivostok, capital of the country's wild east. In this rugged Slavic outpost on the Pacific coast the political passions and economic strains of the entire nation are played out with lurid exaggeration.

The governor and the mayor - the leading protagonists in a local power struggle - accuse each other of being clinically insane; a tangled web of inter-company debt, a problem which has hobbled the whole Russian economy, is already strangling Vladivostok; and the Primorsky region, which borders China and North Korea, suffered repeated 12-hour power blackouts over the summer and could face an energy crisis this winter.

Even foreign diplomats, who are abundant in this strategically vital corner of Asia, have been drawn into the melodrama. In October, a South Korean envoy was bludgeoned to death in an attack most observers blame on North Korea. Other consuls spend their days dodging radiation hotspots, a legacy inherited from the nuclear submarines of the Pacific fleet.

Presiding over it all is Mr Yevgeny Nazdratenko, the controversial governor. Mr Nazdratenko, who was appointed by Russian President Boris Yeltsin in 1993 and resoundingly won a gubernatorial election last December, is a leading member of Russia's increasingly powerful battalion of regional bosses.

A local diplomat describes him as "a little king" political opponents call him a thug, worse; and supporters see him as the Primorsky region's champion in the face of uncomprehending or malicious Moscow bureaucrats.

Recently, his authority appeared to suffer a triple blow. The giddy political ascent of Mr Anatoly Chu-

bais, the chief of staff and gatekeeper to Russia's ailing president, is a threat to Mr Nazdratenko, who has long been a protégé of Mr Yeltsin but avocal detractor of Mr Chubais.

This summer's energy crisis in the Russian far east gave Mr Chubais a weapon which he wielded with relish, publicly blaming the blackouts - the first time caused by a fuel shortage and the second time by a strike of unpaid energy workers - on Mr Nazdratenko's failure to introduce market reforms, including energy price liberalisation, to his region.

This attack coincided with a third setback, and one which Mr Nazdratenko believes was engineered by Mr Chubais: the return of Mr Viktor Cherepov, who was sacked by presidential decree two-and-a-half years ago, to his job as mayor of Vladivostok.

But Mr Nazdratenko, Foreign diplomats, who are abundant in this strategically vital corner of Asia, have been drawn into the local melodrama

whose popularity rests on his control of regional television and radio stations where he propounds a muscular form of nationalism, seems surprisingly unbowed by these setbacks.

"When in America in the 1930s there was an economic crisis, was one governor to blame?" he asks. Mr Nazdratenko is a fierce political operator who tries to moderate his reputation for a thug-like style of governing with heavy-handed attempts at chivalry: he hands each female visitor a bottle of French perfume.

He accuses Moscow of orchestrating the region's energy shortages as part of a vendetta by Mr Chubais, and has started to court Mr Chubais's opponents, including Mr Alexander Lebed, Russia's ousted security chief, and Gen Alexander Korzhakov, the president's former bodyguard.

"A political poison has been taken over the entire country," says Mr Nazdratenko. "Only one man informs him [the president], his name is Chubais, and he speaks only lies."

But Mr Nazdratenko's favourite theme is his description of Russia's hastily privatised economy as an unruly monster which has broken out of the control of its Dr Frankenstein - Mr Chubais again.

"Mr Chubais, wake up - if you are a market man, how can I be answerable for the problems of a privatised company, of Dalnenergo [the local electricity utility]?" asks Mr Nazdratenko. "These crazy people - they

created this system and now they don't know how to run it."

This malign view of Russia's nascent capitalism is sadly prevalent in the Vladivostok area, where a concentration of loss-making defence plants and high transport costs to central Russia have stunted its market-driven revitalisation.

Mr Cherepov, a persecuted human-rights campaigner whose return to his post as mayor was a triumph for Russian democrats, is no friend of Mr Nazdratenko. But even he appears to be uneasy with the market.

"The local government authority has become the instrument of bandits," Mr Cherepov argues, accusing the regional administration of using its powers to control the privatisation process and the disbursement of government money. But his solution is not a fairer, more open market. It is a return to state intervention.

He plans to solve the energy crisis by buying fuel with city money and then supplying it free of charge to the local power plant. In exchange, he proposes that the power plant supply local residents and companies with electricity, regardless, at least initially, of their ability to pay. Perhaps, he says, the city might even arrange barrier deals with oil-producing regions to trade Vladivostok's fish for Siberian oil.

This sort of scheme, Mr Cherepov believes, is the only way to get around the "bandits" who have come to dominate the local economy.

In bustling Moscow, it is easy to imagine that this Soviet-era thinking has been consigned to history. But in Vladivostok, and other outlying areas where regional princes grow more powerful as Mr Yeltsin's confinement lengthens, the unfettered rule of local lords has made even democrats nostalgic for central planning.

Gloom over the third world is overdone, argues Bruce Clark

Order amid the chaos

The nightmare prospect of war spreading uncontrollably through the Great Lakes region of Africa has given fresh credibility to apocalyptic theories about the future of the planet.

In particular, the looming conflict in eastern Zaire has reminded the world of the precarious existence of anything recognisable as a state in that vast area of Africa that is nominally subject to the rule of Kinshasa.

The authorities there, whose banknotes purchase nothing in large parts of Zaire's notional territory, might be capable of provoking trouble on the border with Rwanda and Burundi. But they are almost certainly not strong enough to restrain violence, or to control the flow of displaced persons, or perform any of the benign functions of statehood. The illness of Zaire's veteran ruler, President Mobutu Sese Seko, has raised questions about whether the country can maintain even the pretence of statehood once he is no longer on the scene.

None of this comes as a surprise to the American writer Robert Kaplan, who stirred a hornet's nest three years ago with an essay on "The Coming Anarchy", which vividly described the collapse of state power in countries such as Liberia and Sierra Leone. He suggested that the implosion of ramshackle governments in the face of demographic and ecological pressures was a stronger global trend than the happy "end of history" predicted by his friend Francis Fukuyama.

In a new book, Kaplan tests his theories on a wider plane. In west Africa, he is confirmed in his intimations of apocalypse, his sense that "just as states and their gov-



Nightmare scenario: violence in Zaire is likely to spread

ernments were meaning less and less, the distinctions between states and armies, armies and civilians, and armies and criminal gangs were also weakening."

In the Arab world and Turkey, Kaplan argues, Islam has provided dignity and social organisation in the midst of overcrowding and poverty. But even in ancient nations such as India and Egypt, he detects signs that a weakening state may fail to keep the lid on violence that is ostensibly sectarian but is in fact ecological and demographic origins.

He is sure of only one thing: "We are not in control. As societies grow more populous and complex, the idea that a global elite like the UN can engineer reality from above is... absurd."

Like Fukuyama, Kaplan is a broad-brush thinker whose large, provocative ideas spur debate. His views on west African anarchy are informing academic discussion on the future of war. A report by the International Institute of Strategic Studies in London discusses some of the points Kaplan makes more anecdotally. Prolonged intra-state war of the kind that has ravaged Liberia or Sierra Leone, has a deadly logic in which certain social and economic groups benefit. UN efforts to disarm the antagonists do more harm than good unless linked to political and economic strategies that give the ex-warriors a real stake in peace.

But perhaps the slide towards mayhem is not so inexorable as the pessimists suggest. Some places Kaplan visited - Azerbaijan and central Asia, for example - are on balance more stable now than two years ago; strong men who once ruled in the name of Marx are using new versions of authoritarianism to buy off or subdue their opponents. Criminality and corruption are often described as cancers eating

away at the body politic of emerging nations, or indeed advanced ones. But much as it sticks in the Anglo-Saxon throat to say so, neither phenomenon is invariably threatening to the state: criminals can be co-opted by the ruler and certain forms of corruption can act as a kind of welfare system.

The recent history of former Soviet capitals Tbilisi and Baku, of Beirut and perhaps Istanbul in the 1980s has shown how the atmosphere in a city can change with remarkable speed from menacing anarchy to relative order. When this happens, it is often clear retrospectively that the "chaos" was never quite as random as it seemed at that time. The gunmen were, in fact, quite efficiently controlled by hidden manipulators.

Kaplan rightly says that "we" - in the sense of a western policy-making elite - are in control of less and less. But even in the most desperate conflict zones, the way is often clear for a clever despot to take charge. In cases where no local player is strong enough to impose his will, some outside force may do. In Sierra Leone, for example, a private security company manned by veterans of the British and South African forces seems to have established firm control of areas where state power has collapsed.

As an American optimist might say, there will always be those who see in anarchy not a problem but a challenge or even an opportunity.

*The Ends of the Earth: a Journey at the Dawn of the 21st Century, Random House

**Disarmament and Demobilisation after Civil Wars: Adelphi Paper 303, by Dr Mats Berdal

CURRENCIES AND MONEY

Dollar rallies

MARKETS REPORT
By Simon Kuper

The US dollar gained on the D-Mark and hit a new 33-month high against the yen in London yesterday after Bundesbank directors said that German short-term interest rates could fall further after all.

The yen's decline yesterday followed weakness since the Japanese elections on Sunday, as the belief gained ground that Japan will keep interest rates low.

The day's main winner was sterling, which breached resistance at \$1.60 to close in London at \$1.604, a 14-month high against the dollar.

The pound also gained 2.1 pence against the D-Mark, buoyed by strong UK GDP data as well as the growing expectation that German interest rates may be cut.

The low-yielding Swiss franc closed at a 14-month low of Sfr0.829 to the

D-Mark.

The dollar's next test against the yen is widely thought to be the "Bentzen level" of ¥113.6, named after the former US treasury secretary Lloyd Bentzen, who in January 1994 forced the dollar down from that peak. Mr Chris Dunne, chief currency analyst at Forex in London, expects the level to be breached soon.

"Japanese interest rates look like they are going to be

breached the Bentzen level, it could speed "all the way through to ¥115."

But while the dollar looks set to gain against the yen, it appears stuck in a narrow

range against the D-Mark, closing at DM1.524 yesterday.

There were many comments from the Bundesbank council yesterday, some of them contradictory. Mr Ernst Welteke, a council

member, said a further rate cut could be possible.

stuck to the floor for the next six months," he said.

"There is nothing around the corner which is going to give the yen a boost."

The election had left Japan without a strong consensus that could pump prime the economy, he said. Once the dollar

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Weekend FT

The mighty, folksy giant of Europe

Helmut Kohl, a sentimental, unforgiving creature of habit, is about to take his place among the great leaders of the 20th century, Peter Norman reports

He is the chancellor of Germany and the driving force behind European integration. A man of huge physical presence and an instinctive wielder of power. The man who is now the undisputed elder statesman among the leaders of the industrialised democracies. A leader with no language skills who can somehow appeal to the emotions and bend the will of other heads of state.

He is persistent - he wooed his wife Hannelore with 2,000 love letters. Despite being constantly exposed to the public eye, he has kept his private life and family sealed off from media attention. He stands loyally beside those who are loyal to him.

And yet there are more than enough besotted politicians in Bonn to bear witness to a ruthless streak. He admits to being "thin-skinned" - to forgive is "not my natural talent". He has an elephantine memory of those who have slighted him.

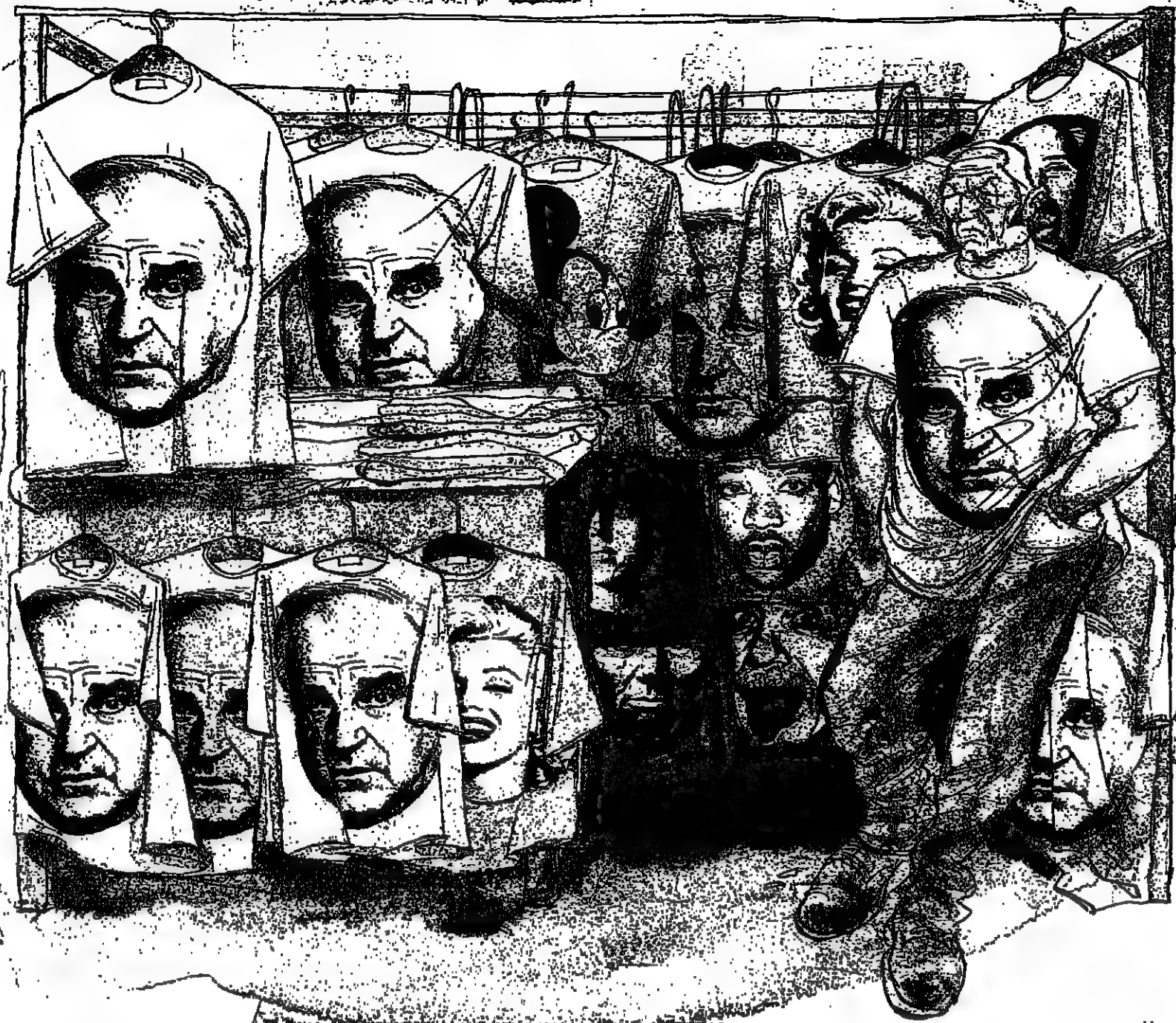
He is a creature of habit, holidaying in the same little Austrian town of St. Gilgen for each of the past 25 years. Every Easter he submits to a three-week-long starvation diet with only a temporary effect on the generous girth that is itself a modern international monument.

He is in many ways an archetypal German, never happier than when tramping through a forest or sipping a glass of fine Riesling wine from the Pfalz, his home region. But whereas the vast majority of his fellow citizens have just one *Heimat*, one place where they have either been born or put down roots, Helmut Kohl has two: the Pfalz and the Christian Democratic Union, the political party he has led for an unrivalled 23 years.

At the end of this month, Kohl will notch up another record. After 5,145 days in office, he will overtake Konrad Adenauer to become the longest serving German chancellor since the second world war.

But, as chancellor for 14 years and one month, Kohl has been in office for so long that young first-time voters in the next German general election in 1998 will have no memory of any other government than his coalition of CDU, the Bavarian Christian Social Union and the small liberal Free Democrat party.

His is an achievement that few could have foretold on October 1 1982 when he ousted Helmut Schmidt, Germany's second Social Democratic chancellor, through a vote of no confidence. Especially for non-Germans, Schmidt was the very model of a modern politician: telegraphic, economically literate, and with perfect English. Kohl was big, folksy, clumsy on television and apparently provincial in manner and speech.



He lacks everything necessary," Strauss said. Kohl is no intellectual. But conditioned by his family and environment, the young man formed clear views on a small number of important policy issues that have guided his political career.

Kohl's brother was killed in 1944. It was a defining moment

both at home and abroad through good times and bad. He always wanted Germany to be reunited. Unification on October 3 1990 was, he has said, "the fulfilment of a dream". He was always a passionate supporter of European integration.

German unification showed his talent for timing - he chose the perfect moment for decisive action. He can lead from the front, as when forging ahead with European economic and monetary union in the full knowledge that it will mean the loss of the Germans' beloved D-Mark.

In his book, *I wanted German Unity*, published last month, he recounts how his ecstatic reception on a visit to Dresden in December 1989 convinced him, more than nine months before it was achieved, that German unity was certain. "Unification," he told his staff, "can no longer be stopped. The people want it. This (East German) regime is at an end."

Kohl likes to express himself in simple terms; this helps him communicate effectively with the German voter and - through an interpreter - with foreign leaders.

There is a strong sentimental side to his character. He also thinks in romantic historical terms, stressing, for example, how the western powers should always pay heed to Russia's history as a great power when dealing with present-day leaders. This helped him become the friend first of Mikhail Gorbachev and later of Boris Yeltsin.

And friendship is important to him. François Mitterrand was a friend - Kohl wept at his funeral. George Bush is a friend and is still received with military honours when he visits Bonn. Yeltsin remains a friend - how else could the two of them talk politics in the sauna through a sweating

interpreter? "We're not discussing our good looks," Kohl has said. This outgoing side of his character may have something to do with his origins in the Pfalz, that region of vines and balmy breezes wedged between the Rhine and Mosel and the French border.

Its people, he wrote in a cookbook published by his wife, are "self-assured, a bit wilful, straightforward, sometimes rather crude, but of an engaging cheerfulness and hospitality". He was more candid in the past. In the dissertation for his doctorate, he listed, alongside a "dislike of dogmatic think-

ing," a "dislike of dogmatic thinking."

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The FT-1,000 top secondary schools. An 8-page supplement was published with today's Weekend FT in the UK. Copies can be bought from the Financial Times Book Service department. Tel: 0171-873 4683



Joe Rogaly

Lessons in we-culture

Everyone is searching for the balm to heal a fractured society

The moral majority, made in the US, recreated itself in Britain this week. The spectacle of righteous hysteria followed the publication on Monday morning of a moving article by Frances Lawrence. Her husband, Philip, was stabbed to death outside the school of which he was head. His killer was a youth, a member of a street gang.

Mrs Lawrence wrote of the value of family life. She suggested lessons in good citizenship, and the fostering of respect for teachers and the police. Lethal knives, used as weapons, should be banned. She asked for a quiet, sensible national debate. What she got was claptrap from politicians. Their only thought is the forthcoming British general election. Here was a vote-object to exploit. They exploited her. I'll spare you the details.

To be fair, no one has the answer to the central question posed by Mrs Lawrence: what is to be done about the fracturing of western society? Think about it. You know where to look - into the human soul. Unfortunately, some of our scientist-philosophers are telling us we do not have one. Hell alone knows how virtuous

we are - if there is a hell, and assuming you believe in virtue.

Among those who do so believe are the Catholic Bishops. Their starting point is reverence for human life. On Monday they published "The Common Good", to prepare the thinking of the flock in advance of the election. The document supports market capitalism but seeks to protect those who do not share in its bounty. Harmless enough. Yet Conservatives picked at lines that could be construed as pro-Labour and vilified the Bishops.

You see what I mean? We drift about with no fixed point of reference. Any coherent view of humanity is a matter for dispute. Even the Pope now accepts that Darwin's account of our origins is "more than just a theory". We are becoming desperate. Warner Interactive is about to launch a computer game that teaches social skills. No danger of a soul there.

This is not to say that moral absolutism is the balm for what ails us. The Taliban, terror of Afghanistan, creates more misery than we refugees from the 1960s ever did. We believed in "whatsoever turns you on". Some of us can now perceive the adverse conse-

quences of treading those flower-strewn lanes. But we do not deny education to women, or prevent them from going out to work. In free societies the trick is to implant mechanisms of self-control within each individual. When Europeans and Americans were subject to guilt - fear of punishment for sins - this worked. The Judeo-Christian guilt

and America led the way in economic growth. Individualism was the force behind their Promethean surge. Now the neo-centred philosophy may destroy the bounteous politics it created. This was intimated in the Ohlin Memorial Lectures at the Stockholm School of Economics a year ago. The speaker was Deepak Lal, a professor at the University of California, Los Angeles.

Let us follow him a mile further. Individualism was a necessary condition of the first appearance of modern capitalist economies, but India and the countries to its east may be more fortunate. They might enjoy rapid economic growth and keep their extended families. If so, they will benefit from a structure that serves two purposes. It self-disciplines members of families, through shame, and saves the expense of building a welfare state, through the generosity of kinship.

You might expect such a point of view from a right-wing, anti-welfare, pro-family economist. Professor Lal, a Hindu in LA, has come to regard life in some cities as medieval. People live in gated communities and travel to work in privately policed institutions. There is hazard in travelling, from muggers or car-

jackers, the contemporary versions of highwaymen. We have the growth, the riches, but a dangerous life.

It may be that there is no other way for the richest part of the world. East Asian culture is not manufactured at just-in-time assembly lines, packaged in polystyrene and shipped to wherever there are customers. We in the west cannot have it. Religion is available, but science is doing its best to destroy it.

Philosophical and cultural structures are anyway not wrought by governments. They can arrange some of the more down-to-earth endeavours Mrs Lawrence spoke of. Lessons in good citizenship are familiar to US children. America's social cohesion is maintained by saluting the flag and bowing before the cross. In Britain the parallel is awkward. The Queen is the national focus. Her children are not ideal role models.

That is all the options available, except one. We could try being a little less greedy, work harder at putting a brake on the growth in inequality, look again at redistribution of wealth and income. Oops! Sorry I said that. It just slipped out. Forget it was ever mentioned. It is the kind of thing those meddling Bishops preach.

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PERSPECTIVES

The Nature of Things / Andrew Derrington

Time to talk bacterial language

Scientists trying to understand why some mutant bacteria fail to produce antibiotics have uncovered a chemical language by which bacteria communicate with each other to co-ordinate their behaviour.

The discovery breaks new scientific ground and George Salmond of Cambridge University says: "Finding that bacteria communicate with each other and that such intercellular communication is probably widespread is really very exciting."

The possibility of decoding and imitating the chemical language used by bacteria has a huge range of potential commercial and therapeutic applications. It goes far beyond the researchers' original goal of trying to improve the synthesis of antibiotics.

The antibiotics in question are known as carbapenems. Discovered in the 1970s, they are structurally similar to penicillin and

cephalosporin but have never taken off because they are very difficult to make by bacterial fermentation. The original research project aimed to find out which of the genes in the bacterium *E. coli* are involved in making carbapenem by comparing different mutant strains that fail to make the antibiotic.

The first step in uncovering the bacterial language came when it was discovered that one type of mutant would only make the antibiotic if it were grown in the presence of another type. The second strain of mutants was producing a signalling molecule that turned on the genes for carbapenem synthesis.

When they found that the mol-

ecule was exactly the same as the one that triggers a completely unrelated bacterium, *Photobacterium fischeri*, to emit light, the researchers realised that they were on to something. "For two such different organisms to use the same signalling molecule suggested that we had stumbled on a bacterial language of communication that would be widespread," says Barrie Bycroft of the University of Nottingham.

E. coli uses its language to co-ordinate its attack on its normal hosts - plants such as the potato - in which it causes stem rot and soft rot. The forerunner of the attack is an invasion by stealth. The invading bacteria grow and multiply but they do

not attack the host. Only when the bacteria sense - by the rising concentration of signalling molecules - that they are present in sufficient numbers to overwhelm the host's defences do they turn nasty.

The first stage of the attack is the secretion of digestive enzymes that break down the cells of the host and release food for the invading bacterial troops. At the same time, the invaders secrete antibiotics to protect their booty from bacteria of competing species.

Signalling molecules have now turned up in a wide range of bacteria including human pathogens such as *Yersinia pestis*, which causes plague and *Pseudo-*

monas aeruginosa, which is a common cause of respiratory infections in cystic fibrosis sufferers. Infections by *Pseudomonas* are orchestrated by signalling molecules that control the various factors that make the organism pathogenic.

Bycroft and his Nottingham colleague Paul Williams who directs the University's Institute of Infection and Immunity, suggest that the bacterial language could be used directly to control infections. Rather than going to war with pathogenic bacteria we might be able to impose a peace treaty on them - we could instruct them in their own language not to attack us. "Instead of killing them we might be able

to turn them from tigers into pussycats," Bycroft says.

Salmond is more cautious. Surviving bacteria might learn to disobey their instructions to remain docile. He thinks that killing pathogenic bacteria is always going to be the best therapeutic approach, but interfering with chemical signalling is likely to be a useful weapon in the antimicrobial arsenal.

But he says: "One main hurdle will be designing synthetic molecules that can compete effectively with the natural signalling molecules." Any such molecule will have to be tested rigorously in case it has undesirable effects either on human cells or on our benign bacterial inhabitants, he

adds. Bycroft, Williams and Salmond are all enthusiastic about exploiting the discovery of bacterial communication to make winning slaves of bacteria for industry. Genetically engineered bacteria and other microbes are already used to produce a huge range of therapeutic products including antibiotics, insulin, growth hormone, interferon and blood clotting factors. Learning how signalling molecules switch bacterial genes on and off should make it possible to control the synthesis of a wide range of compounds more efficiently.

The discovery of bacterial communication could even touch our views of how we evolved. Bycroft says chemical communication between single-celled organisms such as bacteria is likely to have been a key step necessary for the evolution of multi-celled organisms such as ourselves.

The author is professor of psychology at Nottingham University.



Propping up the barrel: Angus Macruary hopes that he and his partner will soon be able to leave school for good

Minding Your Own Business

The Isle of Skye's potent brew

Andrew Eames is taught a thing or two about beer-making - and how to give up the day job

Angus Macruary makes no bones about it: he wants to give up his day job. Macruary is a teacher of business studies on the Isle of Skye, but he is disillusioned with his profession in general, and with his present posting in particular.

There is a tradition in the islands of having two or three jobs, and fortunately Macruary's specialisation makes him a natural adviser to anyone with enterprise in mind. Accordingly it came as no surprise when Steven Tinnie, a colleague from the art department at Portree, approached him with a business plan. The proposal was to set up the only brewery in the Hebrides.

"I told him it was a wonderful idea, but that he'd have to find some more money. It would be a shame to see the project fall because of under-funding." For a while Macruary thought no more about it. "Then I happened to be round at Steve's house when he came back from a meeting with the local authority. His face was long as a sheep's. They had told him the same great idea, but it needed more finance."

"And then it struck me - the extra money could come from me." The two teachers swiftly formalised their partnership, and now, 18 months later, Isle of Skye Brewery is coming to the end of its first season. It already employs four people part-time, and by the middle

of next year it should be healthy enough for the partners to be able to hang up their mortar boards and skip off into their new careers.

So how do teachers learn about brewing? Macruary and Tinnie started by reading all the trade journals they could find, toured the handful of micro-breweries in Scotland, and then hired a brewing consultant.

Fortunately, they have appropriate and complementary interests. Steve is the beer enthusiast, and having long brewed his own beer, has slipped naturally into this role - after school and into the early hours of the morning - and overseeing production. Angus, who used to be teetotal, is happiest with planning, marketing and administration.

But both are clear about their aim: to create a quality beer for the enthusiast with no additives, which would benefit from the purity of hillside water and from the Isle of Skye branding. Ultimately they may even grow their own hops in poly-tunnels on the island.

These simple elements have proved more potent than they could have hoped. "The branding is so distinctive that the market has almost created itself. The problem is letting it grow so that we can cope with it. My business plan allowed for brewing once a week," says Macruary. "Currently we're brewing twice, which instantly cre-

ates a problem with storage." He needs another 350 casks, and at £23 each that means raising an additional £8,000.

As with any start-up, cashflow is a headache. Haulage is costly from the island, a new load of grain costs £800 every three weeks, and sales duty is payable the month following production. And customers, particularly the wholesalers, can take months to pay.

'Provided the brewery can match what we get from teaching, we'll be happy'

The local enterprise authority has been helpful, particularly in finding a home for the embryonic brewery. Initially intending to buy the old morgue in Portree, the authority mentioned it was creating industrial units at Uig: plans were modified to accommodate the tanks and systems, and the teachers moved in, investing £100,000 to get the business up and running. Of this, £21,000 came from the authority and £11,000 from the Isle of Skye. Eventually, they hope to generate eight full-time jobs.

One of the consequences of the premises at Uig, opposite the ferry terminal for the outer isles, has been the addition of a speciality beer shop, staffed partly by volunteers who want to see the business succeed. Visitors wanting to taste the house brews, however, will be disappointed. As yet, Red Cullin, Black Cullin and Young Pretender only come in barrels, and the business has no licence to serve drinks on the premises.

"We definitely need to start bottling so we can sell it here and send it further afield to places like Canada and Europe," says Macruary, aware that as the last of the tourists disappear as winter approaches, so also does a large part of his local market. He expects Skye to account for just 10 per cent of sales through the dark months.

The only other island-based brewery, on Orkney, sells large amounts of bottled beer. Macruary says it is too early and too ambitious for them to invest in their own bottling facility, but the alternative, finding the right contractor, has not proved easy. Macruary and Tinnie do not want "Bottled in England" to appear on the label, but it might be inevitable.

The new Skye bridge limits the viability of small-scale regional sales to the nearby mainland because of the cost to use the crossing - it is one of the most expensive in Europe - so their main markets are the distant Scot-

ish cities. The brewery recently demonstrated its protest against the tolls with a one-off brew called Extortion Ale, 4.3 degrees proof to match the cost of a single bridge crossing.

Thus far, marketing has been easy. Teesles, T-shirts and lots of free publicity have created plenty of local interest. But neither teacher has the time to travel to recruit more customers while they still have school responsibilities. "We're already making a paper profit, but so far, Steve and I haven't taken a penny," says Macruary.

"Once we increase output to another half-brew every week, we can come aboard properly." No more Latin, no more French, no more sitting on the old school bench.

This first winter is going to be the brewery's biggest challenge, getting the logistics of a longer distance market right, and then keeping those customers satisfied when the local market booms in spring.

Meanwhile, the staffroom has been pretty supportive, says Macruary. "We've got plenty of volunteers for quality control, and I don't think there's any jealousy. The brewery will never make millions out of us, but provided it can match what we get from teaching, we'll be happy."

Isle of Skye Brewery, tel: 01478-52474

Truth of the Matter

The Irish enigma

The world has gone mad about Ireland. Walk the streets of Buenos Aires or Bologna, Paris or Penzance, and, sooner or later, you will fall into, or out of, an Irish bar.

Last summer, France staged "L'Imaginaire bretonnais" - a Nationwide Irish festival. Ireland had difficulty finding enough artists and writers to go round. This year's Frankfurt book fair also chose Ireland as its theme. Poetry readings by Seamus Heaney, the Irish Nobel laureate, are booked up weeks in advance.

I sat with Bob the Breton in a west of Ireland bar discussing this strange phenomenon. Bob had just spent three days at the country demente. He had arrived starry-eyed, ready to embrace the Irish soul. He was leaving despondent.

"This country, it is very crazy," he said, his shoulders pumping up and down like a troubled saw. "How can people live like this?" The poetman said he was out of red wine but would tangle of sherry. Bob raised his eyes and gave a "Poof!"

Bob is my only millionaire friend. After being hit by a tear-gas canister in Paris in 1968, he went off to China, a confirmed Maoist. He emerged four years later a convinced capitalist.

Bob built his first fortune in the silk underwear business. Later, there were highly successful forays into rabbit breeding and the Hong Kong property market. His two great passions are Irish music and food. They do not mix well.

During this, Bob's first trip to the west of Ireland, there had been many hours of listening and dancing to de-diddle-dee-dum-dee-diddle jigs and plaintive love songs. He pronounced himself satiated and satisfied. The local cuisine was another matter.

Most restaurants had closed already for the winter, their proprietors off spending their accumulated francs and dollars on foreign beaches. Irish food had gone back to basics: Brown Windsor soup and steaks were the only items on offer.

Late one night, Bob worked his palate juices up to fever pitch. "Tomorrow, I will cook such a meal you have not seen. First, some oysters. Then, perhaps, a delicate soufflé. For the main course, a chateaubriande.

cooked very red." (By this stage, he was drooling.) "An Alsace wine to start and then, maybe, a full-bodied Bordeaux. Champagne to finish, *naturelement*."

I pointed out the problem of buying such delights out on the fringes of Europe. Sometime near 1930, the local town hung its jacket behind the door and gave up on the world. The shops are shuttered. The butcher does him as the off-licence and the small supermarket specialises in vintage tinned products, though there was a lettuce there once.

Bob, unperturbed, his entrepreneurial optimism shining through, went off whistling at 7.30 the next morning. He returned, a broken man, three hours later.

"There is nothing," he said, the milk they say will come perhaps in the afternoon. The butcher is closed because of a funeral. The

map at the supermarket has gone to help his brother with his cows. Even today's paper will not arrive till tomorrow.

I tried to explain that this was the reason Ireland, and particularly its western seaboard, is so different. People have perfected the gentle art of not caring.

There was once an Englishman, I told Bob, who persuaded a local shopkeeper to open a wet fish counter. The waters were leaping with fish. The tourists craved fresh seafood. Sure, enough, business boomed. Yet, when the Englishman returned a year later, he found the fish counter had shut. He made inquiries with the shopkeeper. "The fish, is it?" said he, stuffing a can of tuna into a plastic bag. "I had to stop selling it. It was terrible. People were in here morning, noon and night, bothering me for fish. What could I do?"

Bob did not laugh. I cooked baked beans, with a poached egg on top, accompanied by a bottle of something mysterious and red. I had found next to the cleaning liquids in the local shop.

"How can people be happy with food like this?" said the millionaire, chasing a cold bean round his plate.

All part of the great Irish mystery, I said.

Kieran Cooke

Continued from Page 1

ing", an "often too pronounced and unpleasant sense of their own value" as other typical characteristics of the Pfälzer.

The Pfälzer has a history stretching back 2,000 years to the Romans, and a troubled past. On a TV chat show last month, Kohl recalled that in the 200 years to 1945, every generation in the Palatinate had experienced the horrors of war and that it had the country's highest level of emigration.

When Kohl was born on April 3 1930, the cycle of war and violence had still to run its course. His father was a tax official who had been an army officer in the first world war and was called up for army service in the second. His mother was a "fantastic cook", a quality that was to foster a love of food and gargantuan appetite in

her second son.

His upbringing in the industrial city of Ludwigshafen was strict, according to Hildegard Getrey, his sister. Getrey, who emerged from obscurity last month to give an interview to the magazine Stern, reported that his parents had not planned for a third child.

When Helmut was born - already large at more than 9 pounds - the inter-war depression was at its height. He showed early leadership qualities. "After his first day at school he brought a gang of boys back home with him. He hadn't known them before, but from then on they were his friends."

Under gentle probing, the chancellor told his television audience how he had earned extra money by breeding rabbits when a child, and how at the age of 10 he had helped his elder brother, Walter, deliver laundry in

Ludwigshafen.

Walter was killed in November 1944. It was to be a defining point in Kohl's life. Then aged 14, Kohl told his grieving parents that if he married he would call his first son Walter, which was also the name of an uncle who had died in the first world war. When, nearly 20 years later, his wife Hannelore expressed concern about the tragic overtones of the name, he assured her he would do everything in his power to ensure that their children never had to go to war.

Walter's death and the havoc of war turned Kohl into a passionate advocate of Franco-German friendship. As a student, he demonstrated against and tried to tear down the barriers along the French border.

He joined the CDU in 1946 when still at school and was a founder member of the

Junge Union, the party's youth wing.

His support for the CDU reflected his upbringing. His family was Catholic and bourgeois. He never dabbled with "alternative" ways of life and had no sympathy with the 1968 student revolutionaries.

His father, like many in the Pfälz, was patriotic and his influence may help explain Kohl's determination to reunify Germany. It was certainly reflected in Kohl's decision to ensure that his own two sons, Walter and Peter, did their military service in the Bundeswehr and become officers in the reserve.

When Kohl became chancellor, he took over a job for which he had been in training since 1959, when he was elected to the state parliament, or Landtag, of Rhineland Palatinate. By 1963, he had become leader of the

CDU MPs in Mainz. He was known as "the black giant of Ludwigshafen".

Tall, at more than 190cm, slender then, with swept back black hair, spectacles with black rims and dark suits, Kohl arrived on the Mainz political scene when Rhineland Palatinate had become a backwater.

He took over in 1959 and, with the youngest cabinet of any federal state, pushed through reform after reform in a coalition with the FDP. Kohl set about building a power base in the CDU. He made contact with Konrad Adenauer, West Germany's first chancellor, in his Rhineland home near Bonn. He later promoted himself as the political "grandson" of Adenauer.

He has a talent for spotting talent. His protégés in Mainz included Richard von Weizsäcker, Germany's president for 10 years until 1994,

and Roman Herzog, the current president.

In 1971 Kohl made a failed bid for the CDU leadership. After the party had lost the 1972 general election, Kohl was elected its leader in June 1973. It is a post he has held without interruption. On Monday, the CDU congress in Hanover re-elected him unopposed with 95.5 per cent of the votes cast, an election success of North Korean proportions.

The CDU is the source of his political power and authority. He knows most of its functionaries, their strengths, weaknesses, and personal and political life histories.

He is quick to praise, especially when a public work will serve the party's interest. He does not hesitate to criticise, but he does it face-to-face or over the telephone.

Supporting Kohl is an

inner team of loyal and discrete staff, including Juliane Weber, his personal assistant for 30 years. It is a structure that has enabled him to crush opposition and see off rivals such as Franz Josef Strauss in the 1970s; the last internal party challenge was in 1989 and swiftly dispatched. But it has left him with a concentration of power that many find disturbing.

"Germany is changing," says Rainer Barzel, Kohl's predecessor as leader of the CDU. "We have a weak parliament. Our chancellor democracy is turning into a presidential democracy."

Since German unification, Kohl has seemed to float above the day-to-day hurly burly of German politics. As he moves towards overtaking Adenauer's record, there is a remarkable lack of criticism of his chancellorship.

For many, he has become a father figure, somehow absolved of responsibility for the problems, such as high taxes and 10 per cent unemployment, that have arisen in his 14 years of office. And yet he is not all powerful. The Bundestag majority of the ruling coalition is small. His coalition is prone to internal squabbles. Although still high, his standing in the opinion polls has slipped. He is not assured of winning the 1998 general election. He chooses to stand again. It, and they are two big European economic and monetary union states, as January 1 1999 and proves to be a success, Kohl will have earned his place as one of the great leaders of the 20th century.

For whether or not you approve of his... European unification... will have put a time... the disastrous history of... and suffering that his... helped to... this most bloody of... ries.

PERSPECTIVES

Letter from Los Angeles / Christopher Parkes

The price of a fright at Halloween

Gak, Gook or Yuck? Bob Dole or an Aliens Facehugger? Who can tell which brand of slime will leave least trace in the car? Which latex mask will allow the wearer to breathe long enough to utter "Trick or Treat" before expiring from suffocation?

The answers to such Halloween mysteries come with experience and at great price. Some are to be discovered in the old Chardonnay boxes in the garage where last year's leftovers have lurked these 12 months past.

On October 1 the cartons disgorged one groaning doormat, two squeaking rats, three flashing-eyed spiders, one congealed glob of Gak stuck in a fright wig, an illuminated stack of skulls, a gravestone, two spook costumes, and about 1kg of fused Tootsie Rolls sprinkled with a table-spoonful of mouse-droppings.

That is what comes of hiding and forgetting the loot collected on our first US experience of Trick or Treating.

With the sweets (we dispensed

at least twice that volume over the doorstep last October 31) and excluding the rodent traces, the replacement value is about \$100 - batteries not included.

Above the national average of \$60, but far below the neighbourhood rate, our family spending on this Made-in-America "halloween" has inevitably set records this year.

The first \$15 pumpkin, the weight of a medium-sized corpse, carved and candle-lit, succumbed to the inclement weather in less than two weeks. Braised in the 35°F sunshine and consumed from within by a fuzzy grey fungus, it folded inwards on itself, stinking as it sank.

A stouter Jack-o'-Lantern now gibbers in its place beneath a porch dressed to kill - most

likely by strangulation in the entanglements of cobwebs and dangling latex. A cauldron of bonbons sits by the door awaiting next Thursday's onslaught of night visitors.

By the time it is over - when checking the Christmas lights will become a matter of urgency - US retail sales of Halloweeniana will have reached an estimated minimum of \$3bn.

By this measure, Halloween ranks as one of the most popular holidays in the US calendar. Among families with children, participation rates approach those of Christmas, Hanukkah or Thanksgiving Day. In terms of confectionery sales, the occasion long ago left the Easter bunny eating dust.

Hallmark, the party products

and greetings card maker, says annual sales have been growing between 10 per cent and 15 per cent for five years.

Here in southern California, supermarkets, restaurants, petrol stations and householders strive from early September, with black and orange crepe ribbons and special effects, to impose the appropriate spookiness.

On the night itself parents are wheeled into driving costumed broods miles round town in search of streets where the infant jungle telegraph signals the presence of special extras.

The porch of what the kids called "The Money House" last year drew swarms when the foolhardy inhabitants elected to dole out \$1 bills rather than bite-sized Snickers bars. Other west side

areas are famous for the legendary seams of videos, caps and CDs to be quarried among the canyon-side homes of showbusiness executives.

As exemplified in the front garden of one Sunset Boulevard home, which is yearly transformed into a realistic full-scale graveyard (with smoke machine), Halloween in California is a festival of spending. It is distinguishable only by the colour scheme from the self-consciously secular December "Holidays" when Christmas and Hanukkah collide.

As Halloween's popularity has risen, many schools which have long avoided celebrating any religious holidays, have banned fancy-dress parades and ghost parties in school time. According to the Los Altos school district near

San Francisco, satanism is the "religion" at issue here, by virtue of the festival's roots in Druidic rites.

The last burning of the wicker man occurred about 2,000 years ago, the last of the Irish pranksters who brought the festival to the US last century is long dead. The last of the real modern-day mischief, which included breaking windows and toppling outdoor toilets (preferably when inhabited), faded with the war.

Now, resurrected, sanitised and retailed to the hilt, Halloween West Coast style is all treat and no trick.

TV appearances by alleged social scientists to advise parents that it is as well to collect each candy donation in a separate plastic bag, labelled with the giv-

ers' address, are about as scary as it gets. Stories of children being given poisoned sweets or razor-laced apples are dusted off and circulated with the hot apple juice given parents who routinely trek from door to door with their little ones.

The real horror stories lie in the malls and, increasingly in the Internet mail order pages haunted by ghoulish specialists. The most cursory click will now turn up 2,000 Halloween-related pages.

Appropriately enough, cyberspace is where we turned up the \$90 Aliens Facehugger - the spring-heeled little octopod which popped an egg down John Hurt's throat in the original film, *Alien* - and its associated \$39 Chestbuster T-shirt.

Also there, and coming soon to a country near you, lurks the Queen Alien herself, 16ft high and weighing in at \$20,000. Log on - check out <http://www.nightmarefactory.com/shop.html>. Scan the prices. Give yourself the fright of a lifetime.

Lunch with the FT

Happiness is quality eating

Lucy Kellaway eats with chef Anton Mosimann

One chef was arranging a little mound of vegetables on a plate. Another added a spoonful of noodles. A third was grilling small pieces of meat. A fourth, this one older, bald, and wearing a multicoloured bow tie, said something to the noodle chef, who put an extra noodle on to the pile.

I was observing this scene through the large, plate-glass window of the Bulthaup room, a private dining room in the private dining club Mosimann's. This privileged position was due to the fact that I was to have lunch with the man in the bow tie, Anton Mosimann himself.

What I saw puzzled me. Celebrity chefs, as we know from reading about Marco Pierre White and from watching *Chef* on telly, are tyrants. But this kitchen seemed quiet, orderly.

Before long Mosimann came to greet me, ruddy cheeks shining with health. "Cheerful. Very nice to meet you. Thank you for coming." He spoke with a thick Swiss accent and in careful short sentences. I asked him to explain what was happening in the kitchen. "Everything is cooked to order. The order comes down. The chef announces what has to be announced. And then it is cooked!"

This was not particularly enlightening. But that is the trouble with food. It is great for the taste buds, but there is not much to say about it.

And yet the British public does not feel that way. Its fascination with food, and top chefs in particular, continues to grow. Mosimann was one of the first celebrity chefs - he became head chef at the Dorchester at the age of 28, and had his first TV series nearly 10 years ago. But whereas his rivals com-

pare on personalities, Mosimann is like the man on the Basle omnibus. The most outrageous thing about him by far is his tie.

He tells me that for lunch we are going to have dishes from his new book, *Mosimann's World*. The previous night I had received a copy, and even attempted to make a dish called succatash. It was not a success: possibly because instead of butter beans soaked and cooked with herbs I had put in a tin of baked beans. When I told him this, for a split second he looked pained, but then his cheer returned and he laughed. "That is not

'I love the produce in England, of course. The lamb! The beef! The gamel! The wedgetables!'

quite the same," he said.

A waiter brought two plates. "Sashimi of tuna," announced Mosimann. "It is a very fresh tuna, from the belly part" - he pointed at his own belly to give me the idea. "It's raw. It's sliced just now. A bit of pepper. A bit of salt. Some herbs, and radishes. I hope you enjoy. *Bon appetit!*"

I did enjoy. Very much.

"When I came to the Dorchester I put a stop to the shouting and screaming, and said: that's not necessary. I believe happy people, happy food. I love motivating my staff. We are a very big family."

Naturally inclined to be suspicious of anyone who

compares their employees with a family, I looked for signs of discord but could see none. The waiter refilled my champagne glass, and Mosimann politely asked him to show me the red "M" on the label. "I'm very proud of it! It's printed on the bottle!" he said, with childish pleasure at this tacky detail.

"This is a profession you really have to love," he went on. "Whatever you produce now has to be repeated in 10 minutes' time, an hour's time, tonight, tomorrow. You have to be committed to it."

I say it sounds awful. "But I am happy. I can't wait to go to work in the morning. When I put on my chef's jacket I feel really good," he said, giving his jacket a stroke.

I ask what he feels about his more flamboyant rivals. "I believe you have to keep your feet on the ground," which evidently was as close as he could get to saying anything negative. "Keep your customers smiling and give them good value for money, that is very important."

Seeing as he had raised the ticklish subject, I asked if his membership fees (\$500 joining fee and then \$200 a year) were good value.

"Let me just check on the next course," he said, slipping back into the kitchen. "It's *risotto ai funghi*," he said when he came back. "For me it's one of the nicest things you can eat. *Bon appetit!*"

Delicious, I said.

"Food should be simple. I often say: everything that is beautiful is simple. Everything that is simple is beautiful."

He might often say it, but is it true? You cannot get anything simpler than fish fingers and frozen peas. But



Anton Mosimann in the kitchens of his private dining club: 'I can't wait to go to work in the morning'

you would hardly call that beautiful.

Mosimann really is a lucky man. Not only is he in heaven the minute he puts on his chef's jacket, all the elements of his work give him equal pleasure. Of his new cookery academy in Battersea, south London: "It's my baby. It's good fun." Of the television series: "I loved it very much. I really had good fun." Marketing: "I love it because it is part of the excitement of this world." The new book: "I'm happy with the recipes."

In the midst of all this happiness our main course arrived. "It's saddle of the lamb. From the saddle," he explained. "It is completely removed of any skin, bones. It's pure meat," he continued. "It's been roasted in the oven for four to five minutes. Again, so simple."

And what's the sort of

lawn growing on top, I asked.

"We have parsley, thyme and a few breadcrumbs."

Wonderful, I said as my knife slid through the lovely piece of meat on my plate.

"Does it upset you to eat bad food?" I asked.

"I feel sorry for the food," I started to laugh, until I realised he was not joking. "The food has been wonderful at one stage, but handled by the wrong person. It is so unnecessary. Why buy the best products if you overcook it, make it dry and unhappy?"

But what about all the food that was never good in the first place - or has he

never been exposed to that?

"I've been quite lucky in that sense. Overall I have had some wonderful, excellent food. I love the produce in England, of course. The lamb! The beef! The gamel! The wedgetables! It is so wonderful live here! Fantastic." I wondered if we were living in the same place.

I decide that for me, right then, it was time to leave. I thanked him for what had been a wonderful meal. He saw me out through his club - a converted church which at 3pm was still full of the lunching ladies of Belgravia. "Something for your children," he said presenting me with a long, black box full of champagne truffles bearing his logo. The children have not had a look in. But then they prefer Chewits anyway.

Dispatches / Peter Montagnon and Farhan Bokhari

Free trade and the Taliban

Maulvi Mohammed Zafar is friendly and does not carry a gun, just a walkie-talkie. But the Taliban commander leaves no doubt about who is in charge as he supervises the traffic flow across the border between Pakistan and Afghanistan at the head of the Khyber Pass.

"Since we have been here, there are no narcotics," he says. "It has been easy for us to stop the trade. The drug traders don't even have the courage to offer us bribes."

Notwithstanding the tenuous hold of the Taliban on Kabul, there is just a chance that their presence in Afghanistan may mark a milestone in international efforts to combat the trade in heroin that begins in the poppy fields beyond the Khyber.

It is early days, but if diplomats are indulging in more than just wishful thinking, then the west may owe the Taliban a small debt of gratitude despite the justified concern about their aggressive fundamentalism and fanatical and brutal repression of women's rights.

Certainly things have changed at the Khyber frontier post since the fighting moved to Kabul and beyond last month. Zafar - a Talib in his mid-30s with a black-

beard, checked Afghan turban and a first name, Maulvi, which means preacher - says his men have opened the border to conventional trade.

Now, more than 150 trucks a day grind their way past the border post, a diminutive pair of grey Gothic turrets joined by ramshackle metal gates. From the Afghan side, they bring mostly fruit. From Pakistan, goods of all types enter under transit arrangements agreed with Afghanistan 30 years ago. And the drivers are happy.

"Before the Taliban came into Afghanistan, we couldn't travel at night and we had to pay out \$m (about \$1,050) on each trip at checkpoints along the way from Kabul," says Mohammed Zia, an Afghan driver waiting for his truckload of grapes to be checked on the Pakistani side.

Zafar says the bandits occupying those checkpoints have been removed. The Taliban charge the drivers Pakistani Rs6,000 (\$102) export duty for each truckload, he says, but clearance is relatively quick and the duty is less than a third of what the drivers had to pay the bandits before.

But doubts remain about whether the Taliban can control the drug traffic that crosses high up in the moun-

tain passes to the laboratories hidden away on the Pakistani side where poppy juice is refined into heroin. The more cynical view in the local business community is that the Taliban will need the money from drugs.

Even today, foreigners who receive a rare permit to travel the 56km from Peshawar in Pakistan to Torkham on the border, are required by the government to take an escort armed with AK 47 Kalashnikov rifles.

The Northwest Frontier, where the Raj once stopped and the trains still do, is wild country. That is obvious as soon as you set foot inside Peshawar. Peshawar is the best hotel - a large notice demands that guests hand in their guns to hotel security.

The most impressive building on the road up to Torkham from Peshawar is the 50-acre fortress compound of Haji Ayub Afridi, a leading drug trafficker. He is in prison in the US after mysteriously giving himself up to drug enforcement agents in Dubai last year, but his fortress which local officials say took 500 labourers five years to build, is a sign of the money and power that come with drugs.

The jagged Khyber moun-

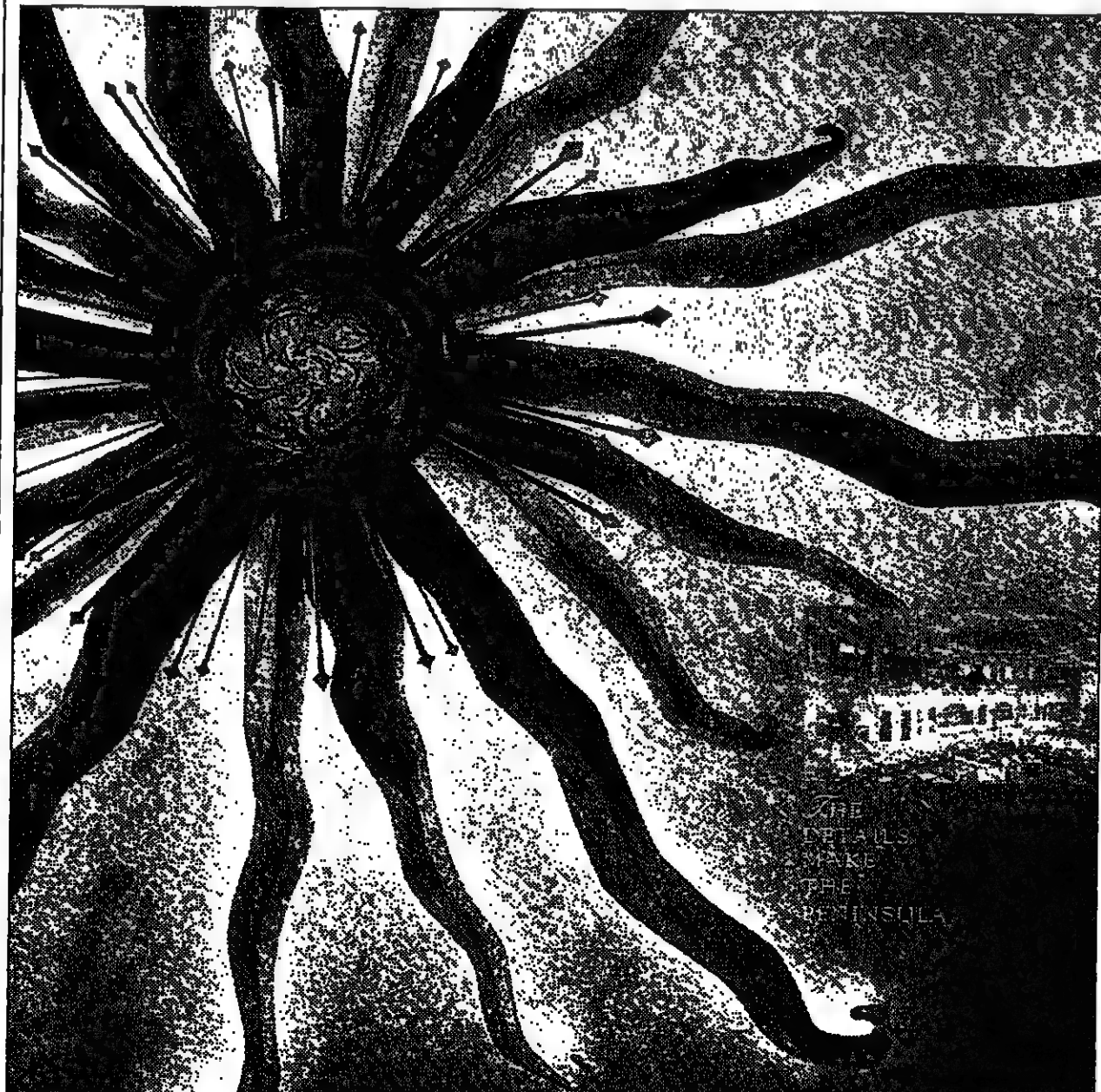
tains are arid and almost devoid of vegetation. There is no agricultural land. Just about the only level ground on the way up to Torkham is a sandy strip outside the Shagal fort where men from the Frontier Corps play the occasional game of cricket.

The Hayatabad bazaar in Peshawar is still doing a roaring business in smuggled goods ranging from microwave ovens to shampoo, illegally on sale in Pakistan after traders exploit an agreement for duty free transit to Afghanistan from the port of Karachi.

One of the biggest recent scams in a trade which turns over some Rs100bn, was tea. Pakistani Customs noted a sudden Afghan fashion for Twinings Earl Grey, only to discover that it was being illegally smuggled back for sale in Peshawar.

In the bazaar, Abdullah Khan is offering a 21-inch Sony colour television set for sale at Rs13,500. There is no shortage of smuggled supply as a result of the Taliban takeover, he says.

"The Taliban haven't made things difficult. Our problem is the Pakistanis are demanding bigger pay-offs," says a neighbouring store holder specialising in telephone handsets and after-shave.



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FASHION

Dark beauty with danger and wit

Yohji Yamamoto is a subversive with a taste for intriguing, sombre tailoring, says Avril Groom

At first sight, Yohji Yamamoto is the perfect stereotype of the intellectual, ascetic Japanese designer - the one who stands accused of turning women into a tribe of black crows.

His small frame, straggly black hair, wispy beard, hooded eyes and Nehru-collared, Jeremy Street-tailored jacket make him look like a dapper Buddhist guru. The long, inscrutable silences before he answers tricky questions could indicate philosophical rumination, but are probably as much to do with the need to marshal his thoughts into English.

Conversation with him, though, leaves no doubt about the fact that Yamamoto is a fashion subversive and a humorously mischievous man. This is the key to enjoying his clothes which, with their sombre tailoring and folded asymmetries, are often regarded as "difficult".

According to Joseph Ettedgui, who introduced Yamamoto's clothes to London after his first Paris show and has been a friend since: "Yohji is intriguing. He seems shy and sweet but he loves being controversial." Thus he cuts a jacket where one lapel and sleeve hangs below the arm in a permanent off-the-shoulder look, or interprets the wrappings of the kimono as seven layers of multi-coloured knitted cards or uses white tailor's tacks as the decoration on a black jacket.

"Much of my designing is an experiment or joke," he says. Indeed, hinged wooden breastplates and hip-widening padded black crinolines come to mind. He is forgiven his errors because much that he designs is beautiful, witty or both.

He can take a mannish pin-striped suit and tailor it to make a woman look slender and fragile. He can turn a traditional kimono, with fiery red and gold illuminating his usual black, into the grandest of evening gowns. He can send out a stream of strict, black suits and then suddenly electrify with one in fluid, fruit salad-shaded silk.

While many male designers are accused of demeaning women with ugly or androgynous designs, Yama-

moto aims to beautify, "but always slightly altering the norm - beauty with danger". "The play of what should be revealed and what concealed fascinates me," he says. "Subtle eroticism is part of my culture."

It is too subtle for some, which gives added cachet for those who believe in it. It also transcends age and figure-type. Serious, pale youngsters look marvellous in Yohji, and so does a middle-aged, elegant doyenne of Paris fashion whose tailor's tack jacket is obviously a great favourite. And I remember a 70-something

Although he has mellowed his style, he remains the most Japanese of his compatriots

illustrator with bohemian tastes extolling the virtues of an early asymmetric, black sarong.

In menswear, Yamamoto regularly pushes to the limits what is acceptable practical or work wear. He was the first to use old men as models and now it seems that every fashion advertising campaign does it.

His soft, black suits over white shirts or T-shirts have become a uniform for men in "creative" professions, from architects to rock musicians. His influence, like his clothes, has been subtle but important.

Ettedgui says: "The easier pieces for both sexes do well because they are wearable but always interesting, full of ideas, and the 'specials' have the quality of modern couture."

Yamamoto's latest venture is the one that many thought would never happen. Years later than his avant-garde compatriots Issey Miyake and Rei Kawakubo of Comme des Garçons, and doubtless mindful of their success, he is launching a perfume, Yohji, next month. On the suggestion that such an unashamedly commercial project seems uncharacteristic, he lights up. "Hah, I love the conflict you see. Doing what is least expected of me is fun. And doing it properly is the best."

This explains the scent's tardiness - Jean Nerle, Jean Patou's "nose", spent three years working on it. Fascinated by the traditions of Paris haute couture and perfumery since he visited the city as a student, he was determined to have his scent made by a "real, historic house. A factory-made fragrance would have no soul."

The result shows his penchant for the unpredictable. Having given Patou a brief for something watery and evanescent, Yamamoto was seduced by a curious, almost discordant, mix of peppery green topnotes and warm,



Difficult, humorous and mischievous by design, Yohji Yamamoto tries to link the traditions of his culture with the art and craft of Paris

musky, woody base. To him, he says, it represents "a seriousness that isn't obvious: you have to discover it" - a quality he strives for in his designs.

Yamamoto does take seriously the financial potential of the new perfume and its ability to introduce his name to a wider market. He has meticulously built up a \$118m empire, including mens' and womenswear, and accessories such as glasses. He says cheerily: "I will be very happy if it makes a lot of money."

Yamamoto was almost destined to become a designer. He is the only child of a Tokyo dressmaker, a war widow, whose black clothes sparked his love for the calmness of the sombre colour. He came to hate the

western clothes his mother's clients requested, which were copies from magazines, "partly because she was so busy making them that she had little time for me and partly because they seemed false for the lifestyle of Japanese women".

Yet, when he visited Paris, he fell under the spell of couture's elegance. By then he was studying law, a career suited his analytical, intellectual capacity. But he returned to help his mother in her business and study fashion design, at which he immediately showed talent.

After success in Japan, he first showed in Paris in 1981 as part of the avant-garde movement that changed extreme high fashion from the ethnic eclecticism of the late 1970s to what was scath-

ingly referred to as the "Japanese bag-lady look". He was determined, he says, "to make a new link, between the traditions of my culture and the art and craft of Paris fashion".

His design inspiration "comes from within. I'm lazy, I don't go out and look."

Although he has mellowed his style, he remains the most Japanese of his compatriots. He is a brilliant tailor yet the kimono, and kimono silks, are usually at the heart of his work. Some of his ranges, such as the Y's diffusion collection, sell better in Japan than in the west.

Yamamoto has remained successful by continuing to impose his own ideas on current trends. "I cannot ignore

the spirit of the time," he says. "But I also need my independent identity." So, his saleable tailoring for autumn has a long, narrow-backed, skinny-sleeved silhouette that is an elegant, grown-up version of 1970s-influenced street style.

The "statement" pieces in his show, however, take that shape and put it on to long, sweeping robes with sharply puffed shoulders and high-rise headaddresses that make the models look and walk like proud, mythical queens.

In life, as in art, he enjoys the company of women. Divorced, he makes no secret of a keenness to marry again. He has two children - a son who works with him and a daughter who, he says indulgently,

"always causes me trouble". One suspects he enjoys that conflict, too.

And he also has laddish tastes - he likes a game of pool, a smoke and a drink and is more than keen for others to join in.

■ *Yohji, The perfume, is available at Liberty, Regent Street, London W1, and Harrods, Knightsbridge, SW1, and nationwide from November 4. Eau de toilette spray is priced from £60 for 100ml, perfume is £70.*

■ *Yohji Yamamoto's clothes for men and women are available at Liberty, Regent Street, London W1, Joseph, Brimington Cross, SW3, and Polygama of Barnsley. Menswear also at Richard Green of Manchester.*

Armani as fashion victim

The designer is expanding and getting his own back, says Karen Wheeler

What does a designer of Giorgio Armani's stature do when suddenly, in fashion circles at least, he finds himself unfashionable?

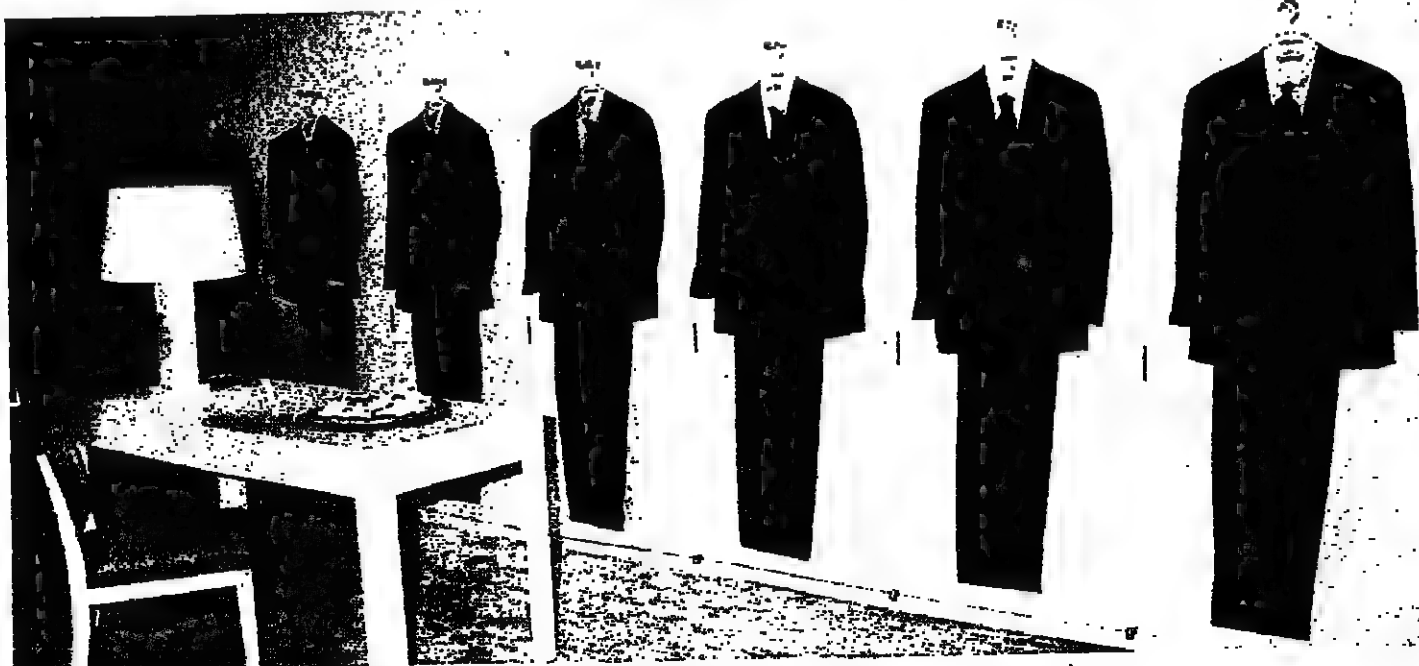
The answer is to open shops round the world, start giving interviews to the press, and stage not one - but two - spectacular parties in New York.

Last month an impressive line-up of Hollywood stars and America's social A-list - no doubt marshalled into place by Lee Radziwill, who has been on Armani's unofficial payroll for nearly a decade - gathered in New York to celebrate the opening of Armani's two new Madison Avenue stores.

The new Giorgio Armani boutique - four floors and 16,000 sq ft filled with the most expensive and directional, black label "Borgonuova collection" - is as smart as a shop can get. Featuring a pale facade of French limestone with enormous glass windows, it looks like a Malibu beach-house and stands out impressively against the brownstones of Madison Avenue.

A few blocks away, the new Emporio Armani store - with its graphic industrial and 1930s-style interior - is another beacon of modern design, filled with everything from tailored suits and sportswear to sunglasses, underwear, handbags and bathroom stuff (the bathsalts at \$34 a jar come in shades of rose pink, pale lilac or eau-de-nil).

The purpose of the new shops is, ostensibly, to present the entire Armani collections. But more important, they are a stunning riposte to his critics in the



Suit yourself from the new Giorgio Armani boutique on Madison Avenue, New York - as smart as a shop can get

fashion press who claim that it is not an Armani "moment" right now.

The figures, however, tell a different story. Armani's worldwide turnover increased by nearly 30 per cent in 1995 to £1,700bn (\$2,895m) compared with £1,217bn in 1994 (58 per cent of Armani's turnover comes from clothing; 42 per cent from accessories).

Nine new Giorgio Armani bou-

tiques and 14 Emporio Armani stores will have opened by the end of this year. The expansion will continue in 1997, with two more Giorgio Armani and eight new Emporio outlets planned.

Armani is confident that fashion critics will return to his way of thinking. "There are always new names that the fashion world is in love with. People get tired of a big name," he says.

"But you have to remember that shops have to be filled and emptied of stock every season."

This attitude is backed up by influential, long-term trend predictor Li Edelkoort. "There are two dangerous viruses in the industry right now - one is called Prada, the other is called Gucci," she says. "Everybody is copying them and everything looks the same."

Armani, however, is sticking to his own style, with the result that his devotees - and there are plenty - are still buying his clothes. Jane Procter, editor of Tatler, for example, started buying in 1985 and still has more Armani in her wardrobe than anything else. "It lasts and lasts. You will never look ridiculous wearing an Armani jacket from two years ago," she says.



Giorgio Armani still has plenty of devotees - and turnover to prove it

'You have to remember that shops have to be filled each season'

That said, some of the bubble-gum pink suits or cobalt blue leather jackets featured against the tasteful blonde interior of the Madison Avenue boutique have surprised customers.

"Pink is a colour that I sell very well," he says, defensively. "Many years ago I did an entire collection based around colour. But lots of fallacies have grown up around the Armani name -

for example, that I forbid my employees to wear dark tights, nail varnish or high heels.

"One day I would like to do an entire show, emphasising all the elements which people don't normally associate with me. I sometimes think that the fashion press only sees what it wants to see. I am often ahead of trends and not credited," he says with out bitterness.

Such as? "Minimalism, androgyny, boot cut trousers, flat evening shoes with evening gowns - all of these are things I did first," he says.

The new Madison Avenue flagships stock the collections in their entirety and thus give different impressions of the Armani label. In the Giorgio boutique, for example, there is some wonderful beaded costume jewellery - again, something which few people associate with Armani.

Similarly, anybody who thinks that Emporio is only about boring beige suits need look no further than the funky white, leather, zip-up jackets in the Madison Avenue store or the lime green, satin evening coats, \$505 (\$217).

The designer is putting more than just colour back into his name. He is also adding some humour. At one of the New York extravaganzas he unveiled a video poking fun at fashion victims - including Donatella Versace, the trend-conscious sister of his Italian rival. It concluded with a regiment of well-dressed people "marching" down the catwalk bathed in white light under the questionable banner "Salvation Armani!" - and it put his message across perfectly.

HOW TO SPEND IT

The woman who loves her space

Lucia van der Post on a small London shop with big ideas for its exclusive fashion ranges

Nicky Kinnaird is just 32 years old and her retailing baby, Space NK, which she launched three years ago, has already proved such a success that next week she opens a new outpost in the City.

Space NK is one of those smallish, cult stores, that, once discovered, retains its clientele. As Nicky Kinnaird puts it: "We seem to attract a very educated customer who travels a great deal. Many of our products come from small companies that don't advertise; they sell by word of mouth. Our customers have been to the US, they know about brands like Kiehl's and Antonia's Flowers and they're thrilled to find that they can get them over here."

Space NK's appeal is hard to describe. After all, other stores have more varied stock, or lower prices, or a snootier air. Kinnaird says Space NK goes in for "directional clothes but not clothes for fashion victims". In the early days it used to have a rather stylish café but eventually what Kinnaird calls the "Apothecary" side - the new wave of make-up artists' ranges and fragrances - proved such a success that the café had to go.

"When I opened Space NK I wanted to break down barriers," she says, "so I decided to sell the little-known cult make-up ranges on open counters where customers could see, try and buy them without having to go through an intimidating salesgirl selling on commission."

"They could then mix and match products from across the ranges without having to buy just one brand. Also there were lots of products with nowhere to go - brands such as Bobbi Brown, Antonia's Flowers, Stila, Murad, Philosophy and the like were small and needed to be sold in a smaller environment where they were not competing with the highly advertised grand dames."

The new outlet which opens next week in the Broadgate development in Bishopsgate will sell only the "Apothecary" range. "I'm taking Apothecary to the City," says Kinnaird, "because when I worked there I used to spend most of my lunch-hours rushing to the West End to find anything decent to buy."

"I never could understand why there weren't more exciting shops there as the

City has a captive audience that earns good salaries and is chronically short of time. The health-club industry cottoned on early, and they have prospered all over the City."

Apothecary has the full range of many of the newer wave of cult cosmetics, mostly started by make-up artists, as well as hair products devised by the session hairdressers who style models for catwalk shows.

There are old-established cult names such as Kiehl's - "people get hooked on it," says Kinnaird, "and they like the fact that they are not paying prices which have to support a major ad campaign or buying too much packaging."



Nicky Kinnaird: faithful clientele

Customers are thrilled to find that they can get US brands over here

I certainly got hooked on Kiehl's on my second visit to the US and regularly trekked down to its shop in the Bowery for favourite creams such as Ultra Facial Moisturiser and Shine-a-Like Silk Groom.

No more will one have to beg favours from well-travelled friends; Space NK has the whole range.

Antonia's Flowers (fragrances from a small florist-turned-perfumer who hails from The Hamptons on Long Island) and Route Du Thé (the own-label fragrance of Barneys of New York) are two other exclusive little products which make their buyers feel they are part of a select, well-travelled club.

Coming soon will be an exclusive range of fragrances from Italy called Etro - a charming, classic, beautifully "well-bred" collection. "There are 10, most based on traditional formulas but each with some unusual element that makes them just a little bit different. The fragrances come in beautiful candles for the home as well," it says.

So how come an outlet as small as Space NK is selling so many exclusive ranges? "Well," Kinnaird explains, "some of them, such as Etro and some of the West Coast make-up brands, simply never thought of selling abroad. I'm endlessly travelling looking for these special products and then when I find them have to persuade them to sell to me. Besides, it suits them to be with somebody not too large who will cherish their brands."

These days the big news in make-up is the ranges produced by make-up artists.

Look out for the name of Francois Nars - one of the best-known make-up artists in the hot-house world of the catwalk. His range is brilliantly packaged (in chic matt black containers) and just the other day the actress Julia Roberts, in true Pretty Woman style, walked into Barneys in Manhattan and said, "I'll have the lot". (That set her back some \$1,800.)

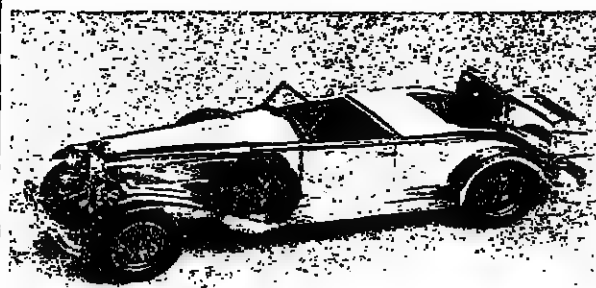
Although only two years old, the range already includes 12 lipsticks, foundation, loose and pressed powder, eye-shadows in neutral or high fashion palettes, and a range of nail polishes in the new brownish, beigeish fashion colours. But the Nars product that has set the beauty editors alight is Multiple, which comes as a stick in the usual chic matt black case and can be used as a blusher, highlighter or re-toucher.

Another exclusive range is Poppy King, started by a 32-year-old Australian who wanted a matt lipstick and couldn't find one. Now her range includes lip paints, lip shines and pots of lip gloss. At £10 a lipstick and £12 for a pot of gloss, they make a woman feel good without enormous expenditure.

Very popular with men (though it does women's ranges as well) is Philosophy, a retail version of the highly technical Biomedic range which is sold only through dermatologists.

Stila is a range devised by Jeanine Lobell, another West Coast make-up artist, that is exclusive to Space NK. Look out for Stila's superb foundations, its lip-gloss and shimmer eye-shadows.

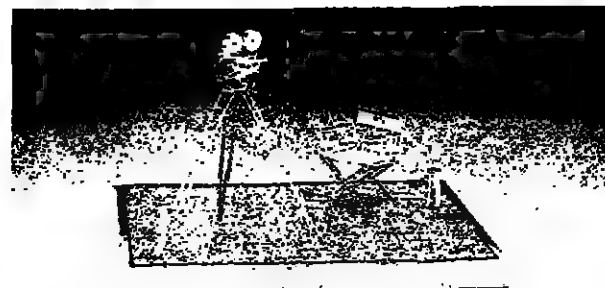
When it comes to hair products, several were originally developed by session hairdressers for their own use. Oribe has some extraordinary coloured hair pomades (gold, blue, red - whatever takes your fancy). Bumble and Bumble has hair wax to hold a style and give shine as well as a marvellous lotion for defuzzing tangles. Its tonic spray is a huge hit with the keep-fit set who spray it on after working out - it contains Tea Tree oil which seems to



Hand-made model of a Duesenberg car in sterling silver, £12,000



From the Weft collection, prices from £2,225 to £7,385



Silver models of a director's set celebrate wrapping up a movie



Theo Fennell with some of his new range

Drumming up devotion

Lucia van der Post reports on Theo Fennell, jeweller to the stars

If you should happen to need a miniature model of a Bugatti car in solid silver, a scaled-down version of the Beatles' drums, a personalised yacht or even a miniature guitar in solid silver, then Theo Fennell is your man.

Not, you understand, that this is all necessarily to Fennell's personal taste. But when you have clients who strut the celluloid screen, whose records regularly "go platinum", who are movers and shakers in the world of

business, the arts and high society - why then, *bliss* sur, you give your customers what they are begging you to provide.

Theo Fennell is chiefly (and, possibly, inaccurately) known as jeweller and silversmith-in-chief to the partying classes.

For while it is true that he has done some wonderfully theatrical and dramatic pieces, he wishes it to be known that by far the largest part of his business is in what he calls "classical

designs with a hint of wit or humour."

His "Bombay" rings, mainly in 18-carat gold and set with coloured stones, are hugely popular. They can range in price from £750 to £75,000 (depending upon the stone) and "even more by special arrangement".

He made crosses fashionable - again - either plain and simple in gold or silver or fashioning them out of tourmaline or embellishing them with coloured stones. He has always been much

sought-after as a designer of special one-off birthday or occasion pieces. He might do scaled-down models of cars or boats, silver or gold guitars which, it seems, pop stars present to each other or their managers at the end of a successful tour. Then he has been asked to make a set of icons representing four of the recipient's favourite things (he took 1930s symbols of golf, cricket, tennis and dancing and incorporated them into candlesticks).

In the meantime, fans of the Theo Fennell style will be reassured that all the pieces they know and love will still be available. He will still make special commissions. Specially for the opening, he has produced some new ranges of jewellery - classical bracelets and earrings and brooches, but imbued with just enough oomph to make them noticeable and to escape the safely tasteful soubriquet. Further down the line there will be gradual additions to the range. Watches and small leather-goods are next on the agenda.

■ Theo Fennell opens on November 9 at 169 Fulham Road, London SW3.



The Apothecary section at Space NK in Covent Garden

give new life to damp, limp hair.

One can see why Kinnaird, who started her working life as a chartered surveyor working mainly in the retail area, made such a crucial career change. "It became perfectly clear to me that I

was much more interested in what the retailers were doing than in what I was doing," she says.

Since grabbing the chance to test her theory she hasn't looked back. Space NK has grown by 40 per cent in each of the three years of its ex-

istence. Next Wednesday the first in what is hoped will be a small chain of exclusive Apothecary stores, opens at 7 Bishopsgate Arcade, 135 Bishopsgate, London EC2.

Apothecary's products are also available by mail order. Write to Space NK, 41 Earlham Street, Thomas Neals, Covent Garden, London WC2 (tel: 0171-379 7030 or fax: 0171-379 6615) for a leaflet. At the new City branch a fast delivery service in the area will soon begin, and it hopes shortly to take orders by E-mail.

"After all, we are in the City," says Kinnaird, "and here they are all chronically short of time. We realise our staff are going to have to be quite differently trained - they will have to be able to give first-class advice at springing speed."

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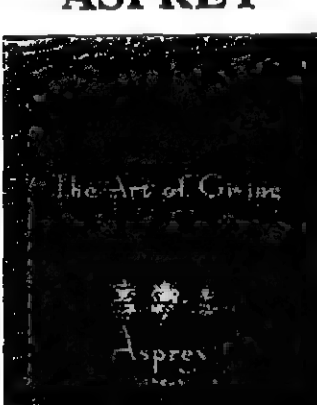
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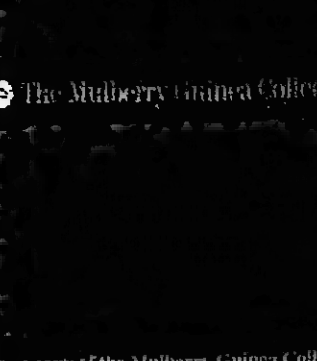
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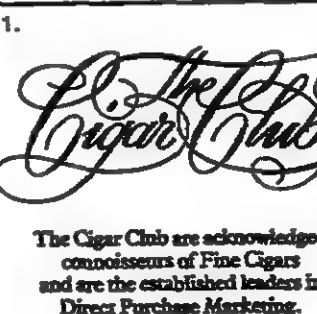


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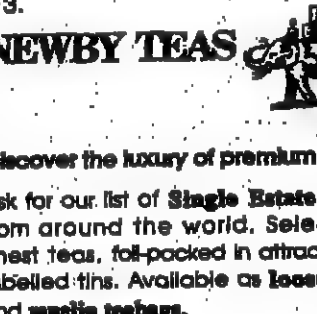


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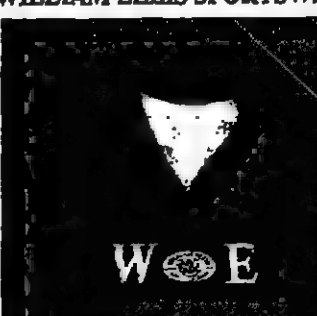
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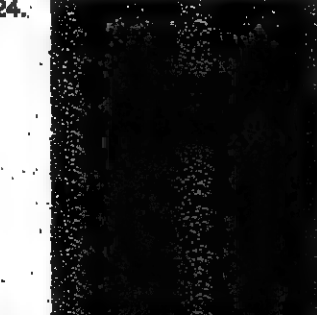
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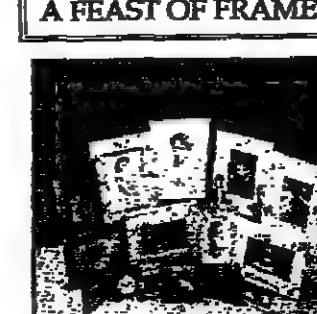
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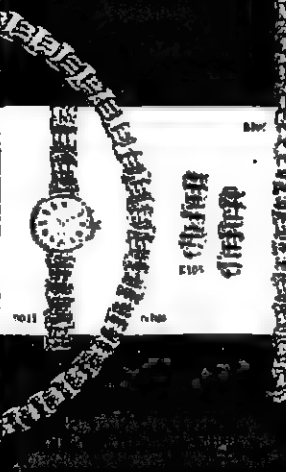
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OUTDOORS

Gardening

Marshland to green oasis

Robin Lane Fox admires a garden in Sicily that has adapted to its harsh surroundings

The gardens in Britain are on the turn and the bleakness of winter is beginning to beckon. Garden vistas can be desolate in colder climates, but I am comforting myself with memories of a recent visit to a once desolate site, now a green oasis of a garden in the Mediterranean.

The eastern coast of Sicily has many times been a friendly paradise to settlers. The first Greek settlers in the age of Homer chose to found cities along its coastline. The mythical hero Heracles was said to have worked all sorts of wonders in the landscape, though some of them are hard to see nowadays between the zone industriale and the motorways.

Near the ancient Greek site of Leontini, there is still a trace of one of Heracles' miracles. Heracles was said to have laid out a marvellous lake, teeming with wildlife. No doubt it delighted the early Greeks and, until the 1930s, it delighted the sporting Sicilians who used it for their favourite sport of duck shooting.

The lake, however, began to sicken with malaria and in the interests of public health had to be drained. The water vanished and the hinterland of ancient

Leontini was left with a bare, brown depression. The area around the lake forms part of the ancestral estates of the Borghese family and in the late 1960s, a Roman Borghese brought his young bride, Princess Scipione, back to live on the Sicilian property.

Lesser women would have bolted to Portofino at the first glimpse of their future prospect. Princess Scipione stayed, however, and, since 1968, has joined her husband in creating Italy's only newly planted private garden. The result deserves international respect.

The former marshland at Casa dei Biviere is surrounded by mature trees which are familiar to botanical connoisseurs but will surprise visitors on the botanical trail. I have seen the garden twice and can only admire the determination, industry and perseverance that have given rise to such an unusual style. It is a living example of garden-making in adversity, with lessons for anyone who believes that their land is too forlorn for gardening to be a serious possibility.

Eastern Sicily is ferociously hot in summer and anyone considering gardening then has an immediate problem with water.

Heracles' lake may have seeped deeper than one would care to drill with boreholes, but this has not deterred the Borgheses. In September, the garden is still green, beautifully settled, with ingeniously chosen evergreens and plants which can store sufficient water for the hot season.

The garden illustrates how to use and choose plants, such as the giant Yuccas and Agaves, in

The Borghese garden is an object lesson in how to surmount adversity

climates where the temperature soars and restricts choice.

Superb specimens of yucca Rupicola and huge agave Perot have developed beside the garden's handsome steps and terraces, contrasting dramatically with the staircases of strong stone blocks and the walls of the country house.

At Biviere, the Organ Cacti rise to 20ft or more as a magnificent vertical line, while a stupendous

Furcraea carries no less than eight flowers, like the tails of an enormous, grassy animal, one of the only flowering specimens to be seen in Italy.

Beside a Sicilian country house, cacti and yuccas present a most unexpected focus for a formal garden plan and are architectural masterpieces in their own right.

You might expect blue-flowering plumbago in a good Italian garden, but you are unlikely to meet bigger or more effective groups than the sky-blue plumbagos beside the family chapel.

You might also expect the occasional citrus tree, but you would not be prepared for a splendid, glossy green hedge of grapefruits along the garden's lower level. The trees look as if they had arrived long before 1968 and anyone would covet the blue-flowered Jacarandas which have developed beside the jetty of Heracles' former lake.

There is a magnificent airy specimen of Parkinsonia aculeata with its light leaves and red and yellow flowers. The prickly trunks of Correasias, as well as the native Agave casti, add variety to plantings which might otherwise be nothing but a contrast of spikes and feathers.

I was most surprised by the

roses. I am never sure whether they will flourish in very hot gardens and frost-free climates. At Biviere, Britain's familiar white-flowered rose Albéric Barbier is in excellent health and accompanied by the pink rose Clare Martin.

The Borgheses have been careful to collect some of the wild roses to be found on nearby Mount Etna and surrounding hills. The small-leaved rose Fortunetiana even puzzled a visiting party from the Royal Horticultural Society, but eventually it was identified and confirmed by specimens of its white flowers.

The Borghese garden is an object lesson in how to surmount adversity and not to reject a bleak horizon that is seemingly empty of any single living object of friendliness or distinction.

There is now a green haven with a canopy of mature trees, persuading the visitor that nature briefly relented and decided to make up for the surrounding bleakness by allowing a garden of 5 acres to flourish.

Visits to Leontini may not be on everyone's itinerary and unfortunately the Borghese garden is not open to the public, partly because there is no demand locally.



Water is no problem for giant yuccas in the Biviere garden

Goodbye litter, graffiti and carvings

Christopher McCooley on New York's novel approach to preserving and protecting its parks

Urban Park Rangers look the part. They wear Smokey Bear hats and oak green uniforms which have bold badges - a maple leaf and a soaring bird of prey. Created in 1979 to patrol New York's parks, provide educational programmes and ensure the safety of park users in all five of New York's boroughs, they combine a whimsical approach with substantive lessons.

The rangers have the power of arrest but the Park Enforcement Patrol and New York Police Department tackle the more serious cases. The rangers see their job mainly as stewarding and education. For this they earn \$63,000 (\$14,700) a year - about twice the average earnings of the 12,000 yellow cab drivers in the city.

Many New Yorkers say that they would not live in the city but for the 26,000 acres of park

land. There is none more famous open space than Central Park, slap in the middle of Manhattan. The 840 acres are a triumph of landscaping.

More than 150 years ago, urbanisation was already encroaching northwards along Manhattan island and the state legislature allocated \$5m to buy land on the outskirts of the city to be transformed into a park.

A competition was held, with a prize of \$2,000 for the best design. The 33rd and final entry was chosen. It was drawn up by Frederick Law Olmstead, a superintendent of the city who did landscape design in his spare time, and Calvert Vaux, a young

British architect. Countless cartloads of soil were shifted, 5m trees and shrubs planted, a water supply system installed and numerous bridges, mini-canyons, rock outcrops, arches and roads were laid out. The result, as seen today, is a mature landscape of great beauty and inestimable value.

One of the regular guided hikes by the rangers is for bird watchers. Shawn Spencer is a sergeant with a degree in wildlife biology; he is one of two supervisors of the 36 active rangers.

"If visiting birdwatchers contact us in advance then we can tailor the programme to specific requests," he says. "Or else, just

turn up for a free guided walk. "In the migratory season, we run a City Hawk Watch. As many as 4,000 birds can be seen in and over Central Park in a day."

There are 194 species on the park's annotated checklist which includes year-round residents, migrants that fly over or drop-in and infrequent visitors. A further 80 species have been seen at least once.

Not all birds are welcome in the park. The European starling causes problems by pulling up plants, stripping fruit-bearing trees, polluting the ground with droppings underneath its communal roosts and dominating the native species - grackles, mock-

ing birds, American robins.

"A wealthy New Yorker, Eugene Schieffelin, conceived the idea of introducing into Central Park all the birds mentioned in Shakespeare. He imported 60 starlings in 1890. By 1896 they were found in all of the city's boroughs," says ranger Tom Mathew.

Other aliens are easier to deal with. A \$6.4m grant awarded to the Parks Department by the Lila Wallace-Reader's Digest Fund, has allowed a five-year project to get under way to preserve and restore New York City's native woodlands.

"The Norway maple and the Allantus are non-native spe-

cies," says Spencer, "that are invasive and highly competitive. The project is designed to replace them with native beech and red and black oaks."

Part of the grant was given to the Urban Park Rangers to establish a Parklands Partnership with local schools. Americorp volunteers - a programme established by President Clinton in his first year in office - supervised by the rangers encourage elementary and secondary students to adopt their own "piece of park". The students analyse and assess this area, and create a planting solution to restore it.

Just as graffiti on the subway has disappeared (a combination

of technology and education - the carriages are coated with a metal that allows the paint to be washed off easily with a chemical solution every day) so, too, have the parks been cleaned up.

Spencer says: "When I give talks to schoolkids, usually one of them will say, in all innocence, 'can I carve my name on this tree?' I show an interest in the pocket knife and then ask the kid to roll up his sleeve."

"I say 'sure, you can carve the tree if I can carve my name on your forearm'. I tell them it's the same for the tree - it bleeds, it could lead to infection and disease, it will leave a scar. They get the message."

For details of free walking tours write to Manhattan Urban Park Rangers, Arsenal North, 1234 Fifth Avenue, New York, NY 10029 US, or 34-Floor Information Call (from outside New York State) 718-383-6363.

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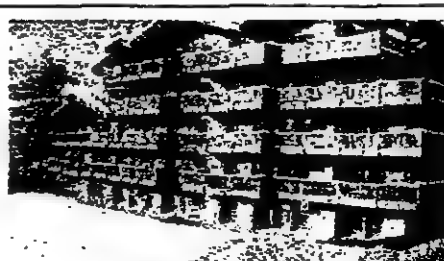
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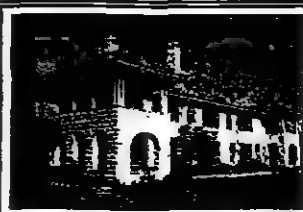
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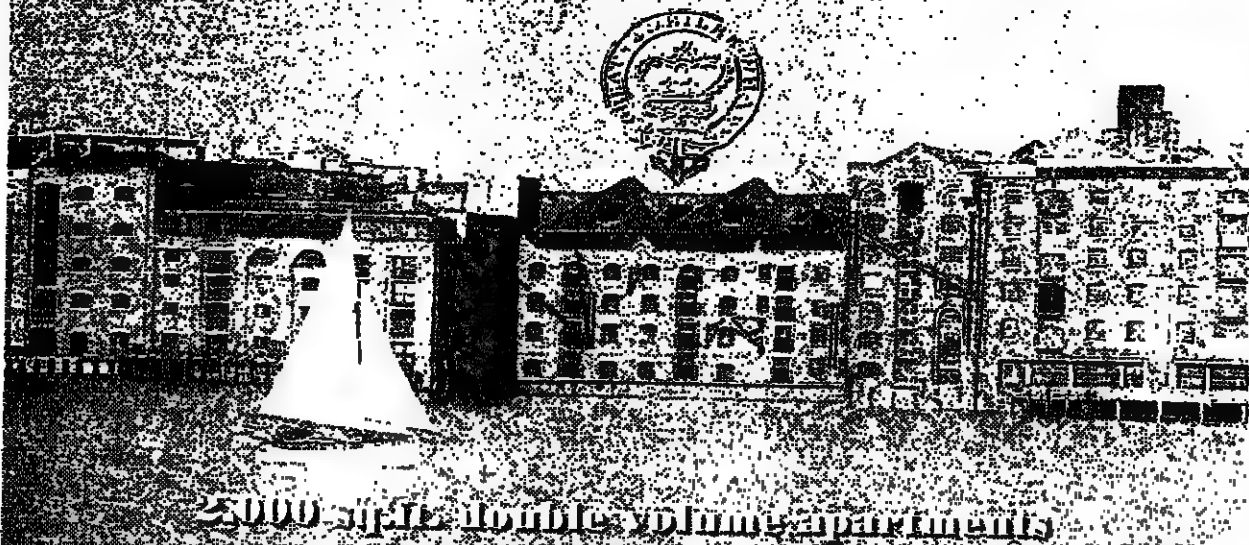
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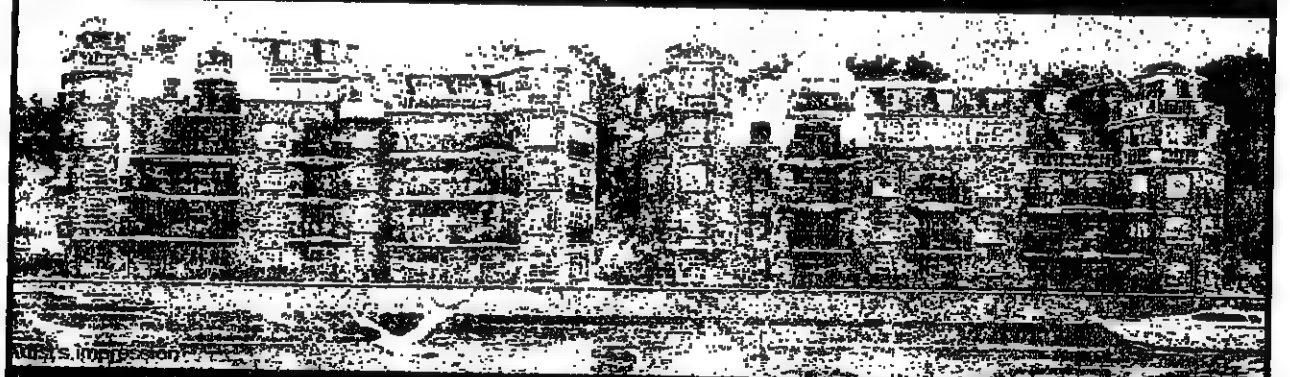
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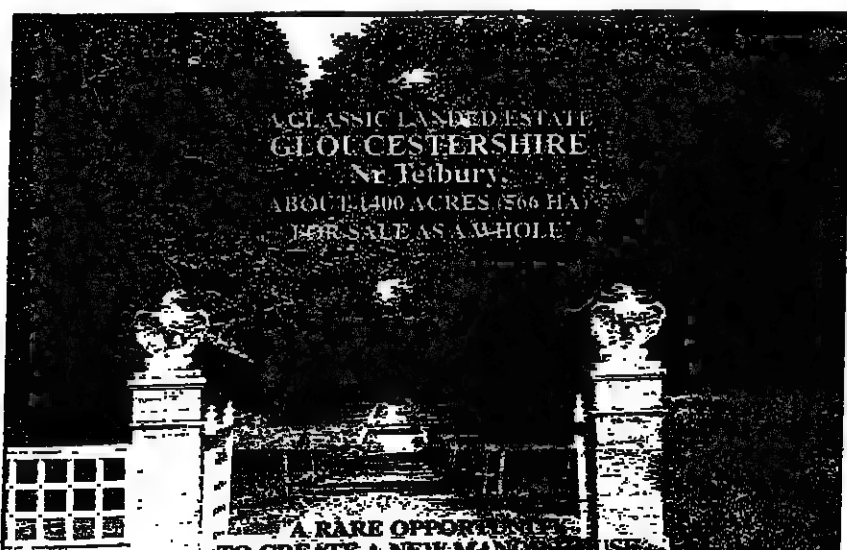
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SPORT

American football

A team that stays intimate with its followers

Todd Shapera visits the Green Bay Packers, owned by the community and in winning form

When Green Bay Packer receiver Don Beebe raced past San Francisco 49er defenders for a touchdown in the Packer's recent home game, Beebe celebrated by running to the stands and leaping into the arms of home-town fans.

This touchdown ritual, practised in no other National Football League city, shows the degree to which the Packers are embraced by their northern Wisconsin community. Although comparing fan loyalty is highly subjective, it may simply be that no other US city identifies with a sports team as much as Green Bay does with the Packers, with its deep connections running through the fabric of the community. Then again, it is the only non-profit, community-owned team in the NFL, playing in the league's smallest city.

The Packers' history includes 11 NFL championships, more than any team. Five titles came during their dynasty years in the 1960s under legendary coach Vince Lombardi, including victo-

ries in the league's first two Super Bowls (in 1966 and 1967).

Lombardi was a celebrated motivational speaker whose philosophy was: "Winning isn't everything, it is the only thing." Sure, winning helps. But in Green Bay's often cold climate, which can turn Lambeau Field's grass turf into frozen tundra, locals are hardly fair-weather fans. In fact, every Packer home game has been sold out since 1960.

During autumn weekends of Packer home games, the working class city of barely 100,000 people explodes with pre-game parties and post-game reverie that makes most New Year's Eve celebrations seem subdued. Fans who do not have tickets will go to the stadium anyway to watch from televisions in the back of their vans.

Inside, fans become a 12th man for their team, deploying deafening noise to confuse opposing offences. The Packers' intimate ties to the community date back to 1919 when they were founded by Curly Lambeau, who coached them to six championships. Jerseys were then donated by the Indian Meat Packing Company.



Praying for better things: the Packers, along with a few opposing 49ers, give thanks in the centre of the field at Lambeau stadium

Todd Shapera

hence the team's moniker. In the early years fans kept the team aloft by passing the hat at games and holding a charity dance.

In 1960, a state-wide public stock offering raised \$125,000 to keep the struggling franchise alive and established the Packers' community ownership. Today, 4,634 outstanding shares are distributed among 1,915 stockholders who receive no dividends or special ticket privileges. Since shares may be sold only for their original \$25 value, many hang in homes, on game room walls. If the team were sold - NFL franchises are estimated to be

worth \$165m - Packer bylaws stipulate that a local charity group would receive the proceeds.

The team's general manager and coach report to a shareholder board, so avoid being the subject of a single owner's whims. The team, however, lacks the competitive advantage that could be gained by a private owner's ability and inclination to retain star players with colossal signing bonuses. Dallas Cowboy owner Jerry Jones reportedly paid \$40m in such bonuses last season while Green Bay paid just \$8m.

Indeed, Packer's president

Bob Harlan says that the team has survived in Green Bay's small market only because of a long-standing agreement among NFL team owners to share revenue from television and stadium receipts and, more recently, by imposing caps on the overall team's salaries. Revenue sharing accounted for 63 per cent of Packer receipts last year, Harlan says.

The home town favour for the Packers is shared by a remarkable outside following. At the Stadium View sports bar one readily meets fans who have travelled across the US to get to the games. Dave Raser, 36, who

flew three hours from New York, sported a new, \$130 authentic Packer jersey. "There were a couple of things I wanted to do before I die, one was come see a game at Lambeau Field," he said.

The Packers have played in its hallowed Lambeau stadium since 1957, longer than any other team. Inside, among 61,000 fans, one can even find a contingent from the UK, layered in Packer green and gold, cheering from the front row behind a homemade banner.

Sales of NFL merchandise is big business, reportedly approaching \$20m, including

\$250m in Europe. Franchisees enjoy lucrative royalties. As confirmation of the Packers' broad following, NFL Properties, the league's marketing arm, reports that global sales of team accessories is third among the NFL's 30 teams, up from fifth position last season. Winning helps.

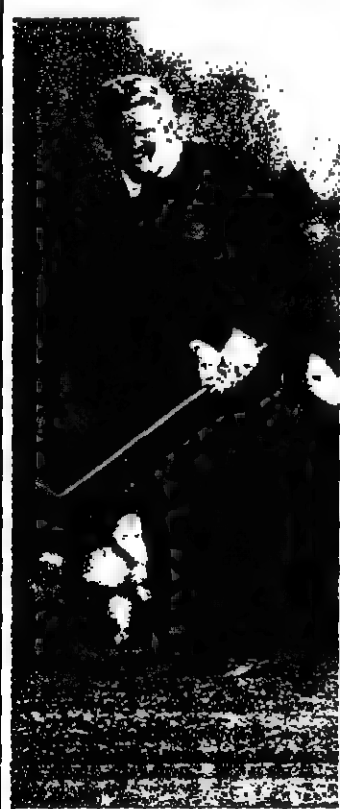
On the field, after a long drought through the 1970s and 1980s, partisans are proclaiming that the "Pack is Back". Under coach Mike Holmgren, the team has compiled four consecutive winning seasons. Last year, led by Brett Favre, the league's Most Valuable Player, they fell one play-off

victory short of the Super Bowl. This season, with the league's most explosive offensive and second stingiest defence, the Packers' six victories in their first seven games is matched by only two other teams: Favre returned from close-season drug rehabilitation to scorch the league with 21 touchdown passes in seven games - a record-breaking pace.

If Holmgren's talented troops can remain injury free, always a challenge in the NFL, by late January Packer fans expect to escape their blustery region for a trip to hazy New Orleans and Super Bowl XXXI.

Sporting Profile

One final putt for Europe's 'big bad' Monty



Montgomerie: missing a major

At the European Masters in Switzerland last month, Colin Montgomerie shot 61 in the third round and such was the quality of his golf he was disappointed at the finish not to have broken the mythical figure of 60.

What did he do that evening? We might assume that the bad-tempered, chubby-cheeked Montgomerie, the barely smiling figure and recipient of another fat cheque, wiled away the hours kicking pieces of hotel furniture, pondering what might have been.

What he in fact did was ring Darren Clarke, his playing partner over the first two days, to tell him that he thought he could help Clarke with his maddening inconsistency. Would he be interested in a quiet drink? The conversation lasted several hours. The following day

Montgomerie won the tournament while Clarke lived up to his extravagant talent.

I tell this story merely to give a fuller picture of golf's most misunderstood figure, a man who still has a brattish side but who has matured in many ways. Five years ago he was voted the most unpopular player on tour but he is far from that now.

On the course, Montgomerie has improved too. Well, in Europe at least. The season draws to a close at Valderrama in southern Spain tomorrow with Montgomerie assured of finishing the tour's number one for the fourth year in a row, despite playing in less events each year.

Born in Glasgow, the son of the secretary of Royal Troon, where the Open will be held next year, Montgomerie had a distinguished amateur career without ever suggesting he

would do quite so well in the paid ranks.

"He was actually a very poor ball striker," his contemporary Paul Broadhurst recalls. "What he always had was a strong mind. He didn't fiddle with his swing like the rest of us. He just improved what he had and such has been his improvement he now strikes it as well as anyone."

That strong mind has been sufficient to dominate Europe but as yet is not tough enough to cope with the mental gymnastics required at major championships. The European Masters he may win but The Masters, the Augusta version, has proved beyond him.

Why? At times, Montgomerie has talked of players such as Nick Faldo and Severiano Ballesteros as if they were pictures on his wall rather than peers. He seemed to have

overcome this awe of fellow players in 1994 and 1995 when he tied for the winning score in first the US Open and then the USPGA Championship, only to lose both in play-offs. This year he has regressed badly in the majors, to the extent that he missed the cut in both the Open and the USPGA.

A deep and intelligent thinker on the game, Montgomerie knows privately this was more than "a bad week". His Open record is actually appalling for one so talented, a testament to the pressure he places upon himself during Grand Slam events.

The burden grows with every passing season. At 33, he is already three years older than Nick Faldo was when claiming his first major championship. And a new generation capable of dominating the sport for the next decade appears in place.

One further thing to pre-occupy him during the winter break is improving his public image. At the start of this year he was full of his usual good intentions. They even survived another poor performance at the Masters in April. But at the US Open the nerve ends were frayed. Three weeks later there followed an obnoxious outburst at the Irish Open and the ubiquitous "Big bad Monty" headlines were once more dusted down for use.

But Montgomerie is brutally honest, both about his own golf, his own chances, and other players. Picking a dinner companion from the golfers on the European tour one could do a great deal worse and not much better.

It is only right this weekend to pay tribute to his feats in Europe this year. Only one player has ever finished number one for

four consecutive seasons before and that was Peter Oosterhuis during the tour's formative years when the standard was not remotely as high as it is today. Montgomerie has played in 68 events in Europe, winning 10 of them and finishing in the top 10 on 47 occasions. Every stroke he has played has been worth £140, adding up to a total of £23.8m. Including off-course earnings, he is estimated to make £4.5m a year, which places him among the highest-paid of British sportsmen.

Such levels of achievement, however, demand at least one major championship. With Europe now conquered, his financial future secured, a contented home life provided by his wife and two young children, it is the only ambition left unfulfilled.

Derek Lawrenson



Legroom

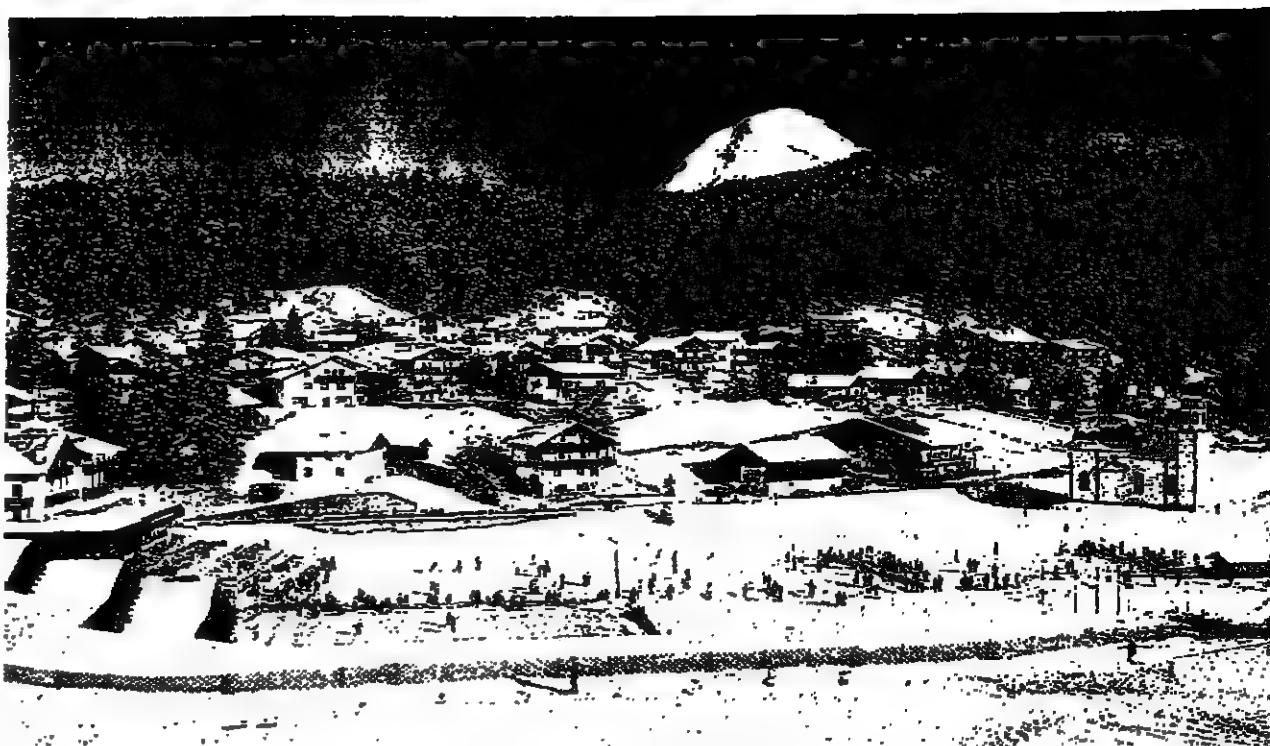
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Once a haunt of Hemingway, Galtür claims to have the cleanest air in Austria



Elegance and sophistication: Seefeld says its downhill slopes are aimed at intermediates

Skiing

On a magic carpet of snow

Arnie Wilson glides through seven resorts in seven days as the Austrians show off their finest slopes

Happy Hour at the Krazy Kangaroo is not everyone's cup of tea (tea with rum and schnapps). But if you like to end your day on the mountain with a rollickous knees-up, before plunging down the slopes again for the twinkling lights of St Anton, this is the place. When the snow is deep, skiers - emboldened by a glass or more of that lethal concoction - sometimes get a flying start to this final run by leaping off the roof.

It doesn't end there. St Anton, the mightiest of Austria's mountain resorts, is a big, bustling village-cum-railway town with more than 30 bars to slake the après-ski thirsts of 8,000 tourists (not to mention 2,300 locals and 2,000 seasonal employees).

In the 14th century, Heinrich Finkelnd von Kempten, a shepherd who had watched the winter's dead being buried every spring in St Jakob, opened an inn higher up the valley for a completely different purpose: to save lives. "On a bitterly cold winter's night 800 years ago, he vowed to build an inn on the Arlberg pass. He

had never heard of skiing. But today we raise our glasses to him. St Christoph has become an international meeting-place for winter sports fans and gourmets," according to the resort.

After storms or sudden drops in temperature, Heinrich would search the treacherous trails for stranded travellers. In his lifetime he is credited with saving the lives of 50 people. Later, his inn became the celebrated Hospiz Hotel.

Even now there is not much to St Christoph - but what there is is charming. This is the genteel face of St Anton. St Jakob, on the other side of St Anton, is another.

These two faces of St Anton are among many aspects of skiing being promoted by Austrians stung by losing British clients to Italy and the rumour that the French had overtaken them in the British ski market -

which may be true. The Austrians have launched a counter-attack, promoting their best resorts under the "Top Ski Austria" label.

So, like Japanese or American tourists, our group of specialist ski writers "did" Austria on a magic carpet of snow earlier this year to spread the word, visiting seven of the Top Ski's 17 areas in as many days.

Although, surprisingly, Ischgl is missing, a portfolio of Austria's best ski resorts could hardly leave out the country's most up-market area: Lech and Zürs. St Anton's neighbours. It was here that skiing on 230cm "Nordic planks" started on the slopes of the Riffkopf. Trittkopf and Seekopf as early as 1890, and Hannes Schneider, founder of the celebrated Arlberg School of Skiing, learnt to ski in 1906.

During earlier visits here, I had been impressed with the quality of the off-piste.

and this visit was no exception.

I knew Helmut, our guide, meant business when he distributed avalanche transceivers. It turned out to be one of the best powder days of the winter. But, of course,

It turned out to be one of the best powder days of the winter

you can never hope to ski it all in a day: much longer guided tours of six overnights are available to some of the most spectacular areas around the Arlberg.

To qualify for the Top Ski umbrella, a resort does not have to be big or grand like St Anton which, with the

combined Arlberg ski region, boasts 180 miles of groomed runs, 114 miles of off-piste, 270 instructors, 86 lifts, 2,000 parking spaces (and even four avalanche dogs: Tasso, Dando, Arco and Rambo).

At the other end of the scale, Galtür, once a haunt of Hemingway, and the highest village in the Silvretta - which claims to have the "cleanest air in Austria" - is one of the smallest members, in spite of its claims to have 68 lifts and 187 miles of skiing.

Last year, according to the first Top Ski Austria brochure, Galtür had 11 lifts and 25 miles of skiing. Have they by magic built 57 new lifts and opened 182 miles of piste since then? Nothing so dramatic. A quick telephone call to the village in the remotest part of the Paznaun valley revealed all: the resort has simply incorporated the statistics for the whole Silvretta ski area, which

includes Paznauntal and the Swiss resort of Samnaun just across the border.

Seefeld, on the other hand - an elegant and sophisticated resort in beautiful surroundings - has no pretensions about its ski area. Mainly known for its 125 miles of cross-country trails, the resort admits that its 16 miles of downhill slopes served by 25 lifts are aimed at "building the confidence of intermediates". But there is one fierce black gully which takes more nerve than the average intermediate might be expected to muster.

Saalfeld-Hinterglemm has always been a favourite of mine ever since a tour of the twin-resorts' splendid circuit more than 15 years ago triggered my metamorphosis from advanced beginner to beginner advanced.

Lack of time prevented our visiting all 17 of Austria's finest, but this winter I hope

to ski the other half. Two I had already skied separately earlier in the month: Franz Klammer's "home-town" slopes at Bad Kleinkirchheim, where there is a run named after him; and Ober- and Untersiebenbrunn, high and usually blessed with excellent snow.

I have now set my sights on the rest, including two resorts where English is rarely heard: Brand, a pretty little resort with delightful

slopes which seem to have been abandoned by the British market; and the extensive High Montafon region, bristling with resorts such as Gaschurn, St Gallenkirch, Gortipohl and Partenen. These have insufficient beds to attract the big British tour operators, which could be a blessing.

Apart from its own skiing, and that of its satellite, Igls, Innsbruck, which has twice hosted the winter Olympics, and offers a Super Ski Pass

embracing 500km of runs and 200 lifts. These include the Stubai glacier to St Anton and the medieval walled town of Kitzbühel, perhaps the most attractive of all Austria's main resorts and a member of the Top Ski programme with its satellite Kirchberg.

Schladming, where the snow record is reliable enough for it to be a regular World Cup venue, is joined by Sölden and its Otztal Arena, where there is good snow even in summer, and St Johann in Tyrol, in a spectacular setting in a *schneuwinkl*, or snow pocket, at the foot of the Wilder Kaiser and Kitzbüheler Horn mountains.

As well as the renowned resort of Mayrhofen, the Ziller Valley's Super Zillertal ski pass incorporates Hintertux and Finkenburg, and Zell am Ziller - not to be confused with Zell am See, another Top Ski Austria resort, and its twin Kaprun which, like Hintertux, is famous for its excellent summer skiing.

For more information about Top Ski Austria, contact the Austrian National Tourist Office, 30 St George Street, London W1R 9AL. Tel: 0171-629 0481.

Motoring

Pleasure of the long distance drive

Stuart Marshall on two popular estate cars with very different characters



BMW 325TD Touring: potentially economical, quite spacious and pure joy to drive

interior invitingly cool last summer and, more recently, kept it mist-free during all-day drives in heavy rain.

An electronic display panel records an average fuel consumption of 28-30 mpg (9.7-9.4 l/100km) when the Omega is used mainly for short trips, because even a feather-foot on the

accelerator cannot persuade the automatic transmission to stay in top below about 45mph/72kph.

But one of the pleasures of motorway driving at around the legal 70mph/112kph limit and well below 2,500rpm is to watch the fuel consumption steadily improving into the mid-30s mpg. Full tank to full tank,



Vauxhall Omega CDX: a load-lugging estate car with executive saloon amenities

the Omega has averaged 32 mpg (8.5 l/100km) for a typical mix of town, country and motorway driving at business motoring speeds.

Normally, German cars (the Omega is made there and badged as an Opel everywhere except Britain) have firm upholstery but the seats yield nicely and

kept me comfortable for hours on end.

The CDX, listed at £27,835, comes equipped with everything a management-level, user-chosen looks for - automatic transmission, air conditioning, ABS brakes, twin airbags, power-operated windows, mirrors and sunroof and a multi-disc

CD player. Two minor grouches are the lack of adjustment on the steering column and steering insensitivity around the straight ahead position.

A sporting diesel sounds like a contradiction in terms but the BMW 325TD Touring is just that. The firm suspension and ultra low-profile tyres provide instant steering response and seemingly unlimited cornering powers. The downside is a fidgety feel on some road surfaces. Like the Omega, it is an ideal

long-distance car, not least because high gearing lets it stride along motorways at low engine speeds.

The five-speed manual gearbox has good shift quality. A driver who

understands diesel will not use it a great deal. There is so much pulling power to be exploited from 2,000rpm that rushing up to high revolutions in the gears is pointless. Although the 325TDs engine puts out 143 horsepower compared with 130hp in the Omega, an economy-minded driver can achieve 40 mpg (7.0 l/100km). A performance-minded one would not, though he would find the 325TD a spirited companion.

The rear sill is much higher than the load floor. Only about 80 per cent of the back seat folds to make space for more luggage, but the operation could not be quicker or simpler and our golf clubs and trolleys went in easily.

List price of the 325TD Touring is £24,320. Equipped to the level of an Omega CDX, it would cost nearly £30,000. Which, even today, is a lot of money, but what the buyer gets is probably the best compact diesel-engined estate car in the world.

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TRAVEL

It was quiet. Too quiet. First it was the flies, then the heat. Now it was the waiting. Suddenly the silence was disturbed by the slow, soft, rhythmic beat of hand on leather. The drums could mean only one thing: feeding time.

Beating the bongos is a daily ritual in safari lodges across Africa. Here at Detema lodge, on the fringe of the Hwange game reserve in western Zimbabwe, it proved the most effective way of attracting a shy but familiar visitor to the watering hole.

Slowly they began to emerge from the bush in their twos and threes. Some circled the pool warily, others edged boldly towards the steps of the lodge. Heads tilted towards a slight disturbance surrounding an older male who strode purposefully to the head of the group. He turned and said: "Anyone for a drink?"

To this call of the domesticated responses were various: "It must be my turn", "No, you bought yesterday" or "I'd prefer to get my own".

I had come to Zimbabwe to see the wildlife but became immersed in the behaviour patterns and habits of a peculiarly robust branch of the hominid family - the English Middle Class.

Here, away from their natural habitat, they could be observed in relative safety. Those who have encountered them in restaurants or seen them cornered on commuter trains and city streets know that their impeccable manners and apparent *sans-froid* can betray a fierce and unpredictable behaviour.

No one had explained this to the management of the Harare Sheraton who mistakenly associated some light-hearted concerns about the power cut on the 18th floor with gentle acquiescence, and dispatched someone from room service with a few candles. He escaped with a severe mauling.

Every member of the group was a veteran of the exotic touring holiday. Hardly an inch of the globe appeared to have escaped their attention. As we entered a helicopter to view the Victoria falls, Gillian and Alan from Cambridge were recalling their flight in a single-engine aircraft to see the Nacsa lines in Peru.

The Zambesi was quite something, Gillian admitted, but she was not sure that it



The serenity of Hwange game reserve, Zimbabwe, is broken by the beat of drums back at the hotel

Tony Andrews

Zimbabwe

Going in for the kill

Richard Donkin is fascinated by human behaviour patterns

bettered their "trip up the Orinoco with the Ikesstone Co-op".

One couple, Terry and Sheila from Nottingham, said they liked animals but admitted they had an aversion to large insects. Terry provided a graphic description of the invertebrates he had loved and killed on previous holidays. There was the large woodlouse-like beetle in Thailand that was a "magnificent specimen" but which had to be flushed down the toilet.

Even in the depths of the bush the typical concerns of the English middle classes were never far from the surface. On one of those special African evenings, as we watched the elephants silhouetted against the setting sun, its reflection flaming the waters of Lake Kariba as it slipped behind the mountains of the Matsadona National Park, I found myself discussing house prices in Eastbourne.

But for myself, the group would have been in the 50 to 70 age range. In pack formation they looked formidable, headed by their dominant male, the tour manager. As I succumbed to a tummy bug and the need for early nights, the grey panthers were eating, drinking and talking into the early hours.

Once in the four-wheel drive transport the group was overtaken by "game fever", which began to infect the drivers as they roamed farther into the bush in search of lions.

Suddenly we came across the unmistakable sign of a kill, not the smell of blood or circling vultures, but a group of black and white striped tour buses bristling with cameras and multicoloured headgear, packing every inch of the dirt road. A snarl-up to rival any in Piccadilly surrounded the fresh carcass of a giraffe.

The grey laurie, a member of the parrot family, sat on a tree-top perch, shrieking its familiar *kaw-kaw* cry which has earned it the nickname of the Go Away Bird. When hunting, the bushmen used to shoot it first because it

acted as a sentinel for their larger quarry. The bushmen have long since been removed from the Hwange reserve so the laurie shouts instead at the tourists. But they do not go away.

The thirst for seeing animals in the wild seemed unquenchable, so much so that our party successfully bagged one of the guides to take them into the bush on foot. Here the signs of the kill were more traditional - vultures queuing on the branches of a dead tree, a solitary hyena heading for some scrub. It turned and ran as it disturbed something in the thicket.

Our guide walked us slowly around the spot. "There are some places I do not take people and that's one of them," he said. He preferred, instead, to acquaint us with the more docile signs of nature such as paw prints and the deposits of animals.

If the group had seemed slightly subdued in the wilds of the bush its confidence was revived among the colonial splendour of the Victoria Falls hotel. The hotel is a monument to the spirit that once coloured half the world pink. All the animals we had been watching grazing in the game parks were arranged in their proper place, stuffed and mounted over the stairs.

Slowly I found myself accepted among the pack. I watched the dominant male and copied his style. I sympathised with those in the party whose suitcases had been slightly dented by airport staff.

"Look at that dirt," said Sheila pointing to the hollow in her plastic case which, even as she gestured, was regaining its proper shape. "Not good enough," I said.

As the sun set among the acacia trees I walked across the airport tarmac with the rest of the herd, no longer the loner. The migration home had begun.

Richard Donkin travelled with *Boles Tours*, tel: 01396-88991. By Air Zimbabwe, he stayed at *Spruings Island on Lake Kariba*, *Detema Safari Lodge at Hwange* and *Victoria Falls Hotel*.

Deep-sea Fishing

Brute force and the big game

Tourism in Kenya is changing and some feel not for the better. Time was almost all visitors flew into Nairobi and went straight on safari. But had publicity and too many minibuses in the game parks frightened the animals has blunted the safari business. Now, seven out of 10 of the 900,000 or so visitors fly to Mombasa and head for the beaches.

Kenya feels it needs tourism. It makes \$900m a year and accounts for 36 per cent of foreign exchange earnings. But in encouraging this business the country could become one of the latest mass markets after places like Spain, Greece and Thailand, with all that means for cultural intrusion and environmental damage.

The debate, however, was academic to our little party. We flew into Mombasa but were headed for the exclusive enclave of the Pemba Channel Fishing Club, specifically to catch big game fish. More specifically, we were participating in the 1996 Great Tuna Hunt, the fifth annual fishing competition organised by the club. I was hoping to catch a marlin, the most exciting of the deep-sea game fish.

The club is near the end of a small peninsula close to the Tanzania border, a two-hour drive from Mombasa. The last 15km are along a bumpy and dusty road until you eventually arrive at the club in Shimoni.

You go to Shimoni for the fishing, there is little else there to do. Peter and Sandra Ruysemaers bought the club in a run-down state seven years ago. Peter is a Kenyan of Dutch extraction and Sandra is English. There is now a swimming pool, chalet accommodation for 30 and a clubhouse/bar restaurant surrounded by pink jacaranda and fragrant trees.

The Pemba Channel is considered not only the best place to fish in Kenya, but also on the entire African east coast. The channel is a natural corridor between the mainland and Pemba Island 50km away. From August to

March there is good fishing for three varieties of marlin, sailfish, swordfish, wahoo and other sharks, wahoo, yellowfin tuna, dorado and many others. The club holds 70 per cent of all the marlin records in Kenya, including a black marlin of 800lb as well as a tiger shark of 944lb.

A record 24 boats had entered the two-day competition. About 80 fishermen were involved and the prospects looked good. Deep game fishing compared with fly fishing on rivers has been called what fast bowling in cricket is to spin bowling: brute force versus skill.

Think about it. How does an angler land a fish weighing 200lb (which doesn't want to be caught) on a line with breaking strain of just

day on board the Shurwar, a Bertram 33ft twin diesel capable of 24 knots? We had six rods out, two of them heavy duty connected to chairs and harnesses. Every cliché you may have heard about fishing is true. It is like going into battle: hours of waiting and boredom and moments of intense excitement.

This day we were quickly into the fish. A small rod whirled. I quickly rushed to the rod, switched off the ratchet, stuck the rod in the harness, and pumped up the fish, lowering the rod then raising it and quickly winding in. A small 10lb tuna. Nothing. A tidler. We caught several of these. Then we waited.

Four hours later, Sa'id called from the poop deck above us. "Marlin! A stripey." The scene then was like a combination of guns swinging into place and air-men running across the tarmac.

"Wait, wait," said Sa'id. The marlin was circling the bait. The line started to scream. "Lift it." Striking a big fish is like trying to throw the rod over your shoulder. I struck three times, the line started to scream out. I had hooked it. Other fish leap out of the water but none quite as majestically as the marlin. This one leapt right out. Its tail fin danced a fandango on the water, almost saying, "You'll never catch me".

And it was right. After an hour, it slipped the hook. It wasn't big, perhaps 100lb. We got two more marlin "up" that day, but didn't land them. Other boats did let them go. Never mind, there was always the next day. On the Sunday, though, our luck was really out. A few small tuna, but nothing big at all. We weren't among the winners. That is fishing.

Stewart Dalby

The Pemba Channel Fishing Club, tel: Mombasa 313 749 or 328 417. Stewart Dalby travelled to Mombasa with Kenya Airlines.

Travelling westward across the Great Plains by moonlight, I discovered the radio of the far right. By day, most radio in America is simply numbing, a bombardment by hysterical announcers selling hamburgers and cars.

But when darkness falls whole new species of radio creatures come out of the woodwork and into the studios of the late-night talk shows.

Bible-thumpers and born-againists, pro-lifers and anti-gun-controlers, crackpot reactionaries and doomsday survivalists - all take to the radio waves until the early hours to fulminate against liberals, Washington, and the sorry state of America today. Whatever their message may be, however, few fail to get in their two cents worth on that most emotional of American issues, the decline of family values.

What are family values?

Discord in Dole country

Nicholas Woodsworth visits a small town grappling with the decline of the family unit

By the time I was approaching the town of Russell (population 4,900), I had heard enough from the professionalists of the radio right to want to know what ordinary, small-town America really makes of it all. Russell, it seemed to me, presented a fine opportunity - sitting in the wheat-fields of conservative Kansas, it is the home town of presidential candidate Bob Dole, a man who has lately made much of family values.

Lost on the vast plains, Russell looks like a thousand other mid-western towns. Built around a cluster of grain elevators and the switching yards of the Union Pacific Railroad, its broad streets intersect each other

regularly and at right angles. Neat bungalows, well-kept lawns and kids on bikes give the illusion of a neighbourhood set in deep suburbia. From almost any point, though, you can look down the street and see where the town ends and the bald, empty prairie begins.

But the people of Russell do not feel lost and small; there is barely a business on Main Street that does not show its expansive pride in Bob Dole - his name is on banners, buttons and posters everywhere. Nor is this political boosterism aggressive: Russell remains one of the friendliest towns I have ever run across.

My impression of Russell as a happy, family kind of



place was reinforced by Dean Banker, third-generation owner of a Main Street clothing store. Banker is a strong Republican, an inveterate joke cracker, and a long-time friend of Bob Dole - he remembers Dole in their school days as the soda jerk who worked in the drug store across the street.

"Bob and I grew up in the dust bowl days, Banker told me as we sat in the back of the store.

"Times were tough and there wasn't a lot of money around - Bob's dad made \$75 a month. Everyone in the family pitched in: you lived within your means, and you didn't waste. Out of the hardship we experienced we developed discipline and tenacity and independence."

It is economics, Banker said, that makes and breaks family values. In the old days families looked to themselves, made their own decisions, and stayed together to see them through. These days, he complained, economic decision-making has been wrested away by big government in Washington.

If the family farm is no longer a viable economic unit, he asked me, how can the family continue as a viable social unit? Today, a combine harvester costs \$160,000 - if larger agro-businesses have survived around Russell, family farms are being ruined. Not so long ago farming, along with oil, was the bedrock of the local economy. Now, the bottom has fallen out of the oil market and 300 of the county's 900 family farms have disappeared.

Instead of staying at home

and raising children, mothers are forced to find work in town. Sons and daughters, seeing no future in farming life, drift off to the cities to find other work. With excessive government interference, high taxation and costly social programmes that bring little benefit to towns like Russell, contends Banker, Washington bears much responsibility for the fragmentation of the once-untied rural American family. And from this springs divorce, single parenting, teenage pregnancy, abortion, gangs, drug use, juvenile criminality, and a generation out of control.

Surely, I imagined, these are the social ills of the inner cities, not places like friendly, conservative Russell. Off I went to see Henry Hartman, pastor of Saint John's Lutheran Church, one of more than a dozen churches in this church-going town.

Pastor Hartman surprised me. In the past, he agreed, strong, united, hard-working families were indeed the building blocks of life on the harsh and isolated prairies.

"But no one here today is talking about family values except Bob Dole. He likes to look back to a golden age, and comes to Russell to wallow in family. He doesn't know present economic realities."

There are a lot of family problems in Russell, Hartman told me. The county has one of the highest per capita consumption rates of alcohol in the US. Teenage drinking is a big concern. So is domestic violence, divorce, and teenage pregnancy.

"There is a lot of anguish here," he lamented. "Russell is a regular Peyton Place."

But the biggest problem of all, he said, is that people will not talk about their problems. Proud, independent and individualistic, they will seek solace in the bottle before communicating their difficulties to others.

Perplexed, I wandered down the street, seeking an explanation to these contradictions. And at Bob Dole's own family church, Trinity United Methodist, I was

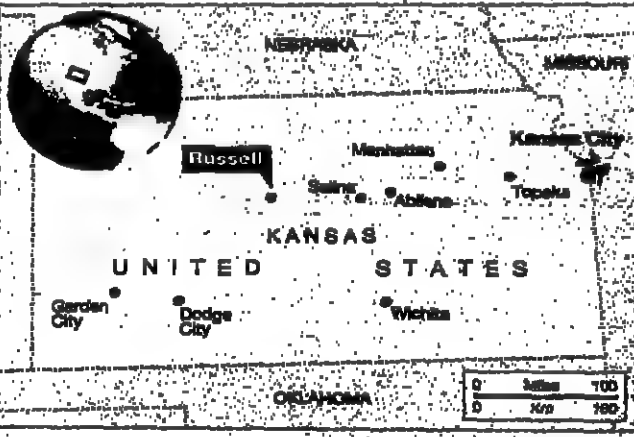
offered one. Dianne Tombaugh, wife of the church pastor, works with children and education. She agrees that communication is the biggest problem in the community.

"Although the ideal family never in fact existed, they believe stricter rules can bring it back, and that Bob Dole is the man to make those rules. At the same time they are drawn by necessity to look for new solutions."

Those solutions, she insists, lie in getting away from the conservative individualism and isolation that tradition has bred here.

"We have got to start talking to each other. There is a fundamental contradiction in the political and religious right placing emphasis on individualism and on family values at the same time. They are incompatible. We have got to share our problems and live in community. We are all in this together - that is the real foundation of family values."

I left Russell a little later, feeling somewhat bemused. Things are not always as



they appear. Russell will, of course, vote for its favourite son. But here in the troubled bosom of conservative America, in the camp of its champion, were concerned, thoughtful church leaders challenging conservatism's very basis. America, I thought as I pulled out on to the highway and turned on the radio, remains full of surprises.

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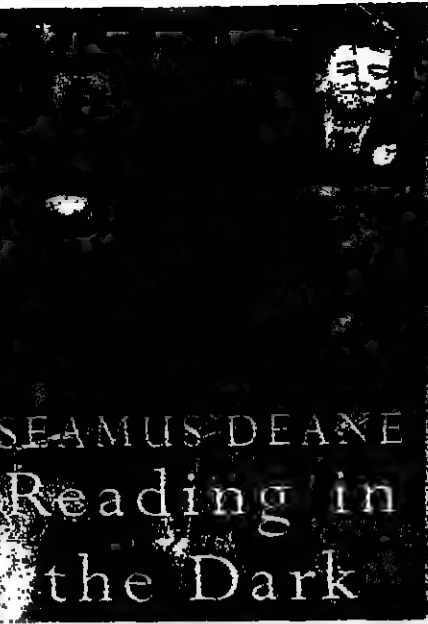
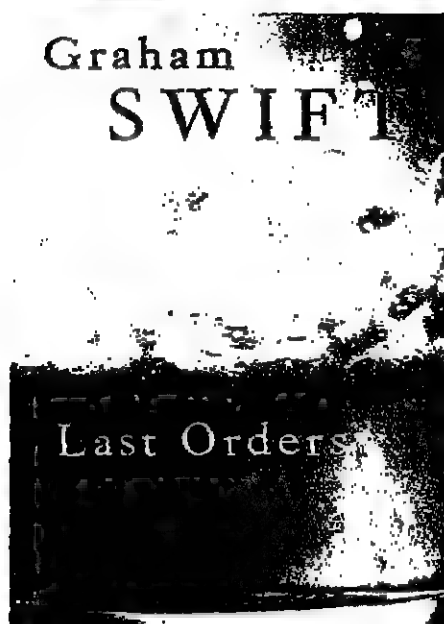
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BOOKS

Runners line up for the Booker Prize

Next Tuesday, the winner of this year's £20,000 Booker Prize for Fiction will be announced at the Guildhall in London. Below we re-print extracts from the FT reviews of the six short-listed novels



Last Orders by Graham Swift (Picador)

Four men once close to Jack Dodds, a London butcher, meet to carry out his last wishes and scatter his ashes in the sea at Margate. The bizarre day's outing slowly reveals the various dramas of their ordinary lives.

Its technical brilliance is such that I began by feeling that it would be more appreciated in the varsity creative-writing faculties (of which Swift is a prominent product) than in the bookshops of middle-England: on a second reading I was entirely won over and, indeed, impressed and moved.

His south-of-the-river dialogue is brilliant, and the accompanying prose is cut to the bone. The characters acquire a memorable reality... this is a marvellously expert book.

J.D.F. Jones

The Orchard on Fire by Shena Mackay (Heinemann)

Set in the English provinces, where the Harlequin family has migrated from south London to run the Copper Kettle tearoom. The novel describes by reminiscence the experiences of eight-year-old April in 1952, Coronation year, when she establishes her life's most important friendship with Ruby, the daughter of a violent local publican.

The novel is a delight, colourful, funny, authentic and intensely moving. There is something of Laurie Lee in the brilliant inventiveness of description. Children smell of Marmite and wear "rhubarb leaves as sun-hats". (But) Mackay has her own originality and seriousness: she is not simply a born-again Lee. She warns against believing we live for ever.

Brian Martin

A Fine Balance by Robinton Mistry (Faber)

A panoramic story set in 1970s India in which several unlikely characters - two village tailors, a Family Planning Motivator, a Beggar-master and the head of the City Beautification Squad - are brought together after the government declares a State of Internal Emergency.

Among the exceptional features of this remarkable novel, the organisation of the narrative ranks at the forefront. The agility with which Mistry weaves his strands - bringing them together and then pulling them apart - is both breathtaking and faultless. Never once, in 612 pages which span the 40 years from Partition to Indira Gandhi's assassination, did I think, "what year is this?" or, "who is this talking?"

Carlo Gébler

Every Man for Himself by Beryl Bainbridge (Duckworth)

A fictional account of the final four days of the Titanic, told by Morgan, the young nephew of the owner of the ship.

All the pieces finally fall together as the ship falls apart. The novel is a gradual accretion of the histories of her characters, notably of Morgan, who had a hand in the design of the ship and moves in the glittering company of the first class deck. The great strength of the book is its portrait of a class: the bright young things of 1912, who believe themselves, like the Titanic, to be unsinkable, and who play cards with superior insouciance long after the crunch of the iceberg until all the places in the lifeboats have gone. Their world goes down with the ship.

Nicolette Jones

Reading in the Dark by Seamus Deane (Cape)

Set in Derry in the Northern Ireland of the 40s and 50s, the boy narrator is haunted by fantasy, folk tales and the grim shades of political enmities and family secrets.

Seamus Deane's extraordinary novel offers a startling insight into the buried loyalties and seething grievances of Ireland's fractured Northern province. It is as stubbornly meandering and unabashedly evocative as any first novel by an eminent poet should be. The language is radiant and musical. The characters are beautifully crafted vessels storing reservoirs of pain. But it is the sheer, exhilarating force of Deane's storytelling - a rare quality in the poet-turned-novelist - that gives the book its inexorable power.

John O'Mahony

Alias Grace by Margaret Atwood (Bloomsbury)

Grace, a 16-year-old servant, was sentenced to death in the 1840s for her part in the brutal killing of her master and his housekeeper. Her sentence was commuted to life imprisonment and she spends time in lunatic asylums, where she claims to have no memory of the murders. Then she meets a young doctor who is interested in the new field of the unconscious mind.

Atwood's writing is vivid... Ostensibly a novel about a mystery, *Alias Grace* attempts something more ambitious than fleshing out a sensational real-life story. It recreates a period when one orthodoxy about the human mind was giving way to another, less obviously flawed but not yet aware of its own limitations.

Joan Smith

As Britain limbers up once again for the race to be last into Europe, it is comforting to reflect that this will not be the first time. And that sovereignty has often been an excuse to avoid tough economic discipline.

To join the European monetary union in 1999 would be contrary to the British tradition since the second world war of rising prices, excessive government spending, devaluation and debt.

Emu is the latest of several international arrangements to offer Britain the chance to kick the cheerful habit of spending more than it earns, punctuated by penitential bouts of austerity. The tie with the dollar after the war, the abortive effort to join the European currency Snake in 1973 and the traumatic failure to stay in Europe's exchange rate mechanism (Erm) in the 1990s are all chapters in the same sad story. Such arrangements (and the gold standard before them) were supposed to make devaluation difficult, and so save the country from inflationary tendencies. Emu goes one step further. By abolishing sterling, it would make devaluation impossible.

Anyone who wants to understand the passions which Emu now inspires should read Edmund Dell's splendid account of the hopes and failures of the 17

British chancellors from 1945 to 1990. His theme is set by the mismanagement of Atlee's Labour government after the war, spending far more than it could afford on defence and welfare, wasting resources on nationalisation and extending the begging bowl to the US with all the arrogance of a super-power. The humiliating devaluation by Sir Stafford Cripps in 1949 and the period of retrenchment which followed did improve competitiveness and restore the country's finances for a few years. But Dell shows how political juddges, hypocrisy and macroeconomic make-believe helped to squander the gains.

THE CHANCELLORS: A HISTORY OF THE CHANCELLORS OF THE EXCHEQUER 1945-90 by Edmund Dell (HarperCollins £23, 619 pages)

Dell, who was a minister in Harold Wilson's Labour government from 1964 can afford to be even-handed with his criticisms. Many of Labour's difficulties in the

1980s were the consequences of Harold Macmillan's insouciant profligacy in the "never had it so good" era of Tory rule. The dash for growth by Macmillan's last chancellor, Reginald Maudling ended predictably in rising inflation and balance of payments difficulties.

Dell says the "Maudling experiment" was no more than an "hallucination" and his pre-election budget in 1963 combined "politics, ignorance and hubris". The Labour government which followed in 1964 also tried to pump up the economy with borrowed money. As a result, wages (and trade unions) gradually got out of control and the trade deficit widened with the usual result: a run on sterling and a desperate search for a foreign sale-out.

In November 1967, James Callaghan, Wilson's first chancellor, devalued the pound with the help of credits from the International Monetary Fund. After another period of retrenchment (under Roy Jenkins), Edward Heath's Tory government (from 1970), soon reverted to the old ways. Anthony Barber's mad rush

to bring down unemployment was routed by uncontrolled inflation, rising government and trade deficits which led to yet another sterling crisis. It was left to Denis Healey, in Wilson's third government, to accept what seemed humiliating terms of defeat in 1976, from the IMF.

Then the Tories returned under Margaret Thatcher in 1979 with a with a brand new weapon (monetarism) for slaying inflation. What happened? Sir Geoffrey Howe did deflate the economy and kept his nerve even when unemployment rose above 3m. But Nigel Lawson, one of the architects of Sir Geoffrey's strategy, blew the gains by permitting another inflationary boom in the late 1980s. Britain again tried to

import foreign discipline, this time from the ERM. Only two years later, the currency markets rightly judged that Norman Lamont, the chancellor who came in after the fall of Thatcher, had no stomach for the fight.

There are few heroes in Dell's authoritative and readable history, apart from Healey, perhaps, and Howe. Dell shows almost equal con-



Reginald Maudling: his dash for growth ended predictably in rising inflation

tempt for Atlee, Wilson and Macmillan for their different kinds of political althieriness. The Treasury also gets low marks out of ten for much of the period, sometimes for bending to the political wind and at others (particularly in the Maudling period) for gross over-optimism about its ability to navigate the economy close to full employment.

Dell tells his story with the verve of a man not given to doubts. His judgments are shrewd, if Machiavellian and unkind, sometimes given as a snorting aphorism. He has made sense of a bewildering range of material. But one should not read him for a truly balanced account. For example, of George Brown's National Plan for 35 per cent growth between 1964 and 1970, he says: "It was close without devaluation, but would be no less otiose with it. It was a political gesture, supported equally by naive politicians and naive businessmen and naive civil servants..." Even if such judgments are correct, we might have been given a closer understanding why many intelligent people agreed for so long that unemployment

was a greater evil than the risk of inflation. However, history is on Dell's side. The British pound, so beloved of anti-Europeans, is now worth a 30th of its value in 1945, a debauch of the currency, unparalleled in the country's history. Rising inflation was associated with low unemployment for the 1950s and '60s. But Dell believes that the easy fiscal regime needed to achieve this, worsened by political interference, was storing up problems. By the 1970s, when trade union power seemed to have made the country ungovernable, few would have disagreed with him. In the 1980s when unemployment reached 3m, the trade-off between inflation and jobs appeared, to be nothing like what had been assumed earlier.

So with hindsight it is clear that Britain should have postponed the enjoyment of some of the post-war prosperity until it was safe. International moneylenders: No doubt this is easier to say at the end of a prosperous century than it was amid the ruins of war.

However, Germany, which practiced restraint, has emerged as the economic power behind the ERM. It will surely dictate the terms when, after a couple more devaluations or so, Britons become weary of the battle and sue for peace.

their tent contemplating themselves while inspecting ant nips and mosquito bites. His fellow traveller has just opened *Martin Chuzzlewit*, to be read by torchlight, and asks O'Hanlon whether he has many enemies in Oxford, where he lives when not on expedition.

"God no, I hope not," said, startled. "I couldn't bear it. If I thought I had just one out there - one real enemy - that would unhinge me. I want to be loved by everyone, the milkmen, everyone."

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Make-believe and monetarism

Profligacy punctuated by penitential bouts of austerity have marked British economic policies for the last fifty years, writes Max Wilkinson

Queasy Quartermain with a conscience

Robert Thomson finds this trip is more than just a jungle jaunt

The trouble with the voyage of discovery, the descent into the dark heart of uncharted territories and unmappped introspection, is that the television documentary team, lugging cameras, batteries, sound equipment and a reworked script, got there first.

The Lhasa Holiday Inn

opened in 1986. Garbage is an unsightly hazard during the Everest ascent. And the Australian outback comes air-conditioned. For the rea-

sonably well-read individual with cable television, the romance of an ignorance that inspires the "first contact" fantasy has been buried under glossy, gaudy coffee-table books and sullied by the reassuring, ultimately unnerving studio voice of the documentary narrator.

So, stranded in the late-20th century, where does the adventurer turn for defining moments and the extreme experience that is the supposed stuff of self-knowledge and of the good and quirky yarn? Redmond O'Hanlon, a queasy Allan Quartermain with a conscience, ventured to Congo, up river and through jungle in the quest

for a prehistoric lake and its mysterious contents. With a psychology professor as travelling companion and straight man, O'Hanlon, for 15 years the natural history editor of The Times Literary Supplement, undertakes a most treacherous journey as a middle-class male through an impoverished, "primitive" society. He re-emerges in the urban undergrowth with dignity in place, having found a writer's voice that is neither patronising nor pathetic.

Congo Journey is travel writing of a higher order. It writhes with the usual creepy crawlies, the nests of cockroaches and armies of

driver ants, and disgust at disease and parasites, but the descriptions come with scientific correctness classification of species. Instead of a mere fear of snakes, there is a fascination with osteolae-

CONGO JOURNEY by Redmond O'Hanlon (Hamish Hamilton £18, 472 pages)

mus tetraspis, the Congo dwarf crocodile, and the thrill of having recognised four varieties of swallows and martins.

These observations, and the adventures in between,

come asset-backed by a better class of bibliography, which makes clear to the unobservant reader that the book is meant to be more than a jungle jaunt. Given that *Congo Journey* took six years to complete, the journey perhaps included longer than planned encampments on the bank of the bottomless swamp called writer's block.

The casual reader also wonders whether the conversations were quite as clever and moving as written. Not that it really matters whether O'Hanlon had a tape recorder secreted on his person or has Pitman 2000 shorthand among his stock

of skills. But, for context, it is worth contemplating whether a writer has been paraphrasing and rephrasing to add poignancy and subtract the boredom of reality.

Simply because the book is so charming, witty and challenging, you tend to wonder whether writer and explorer are much the same. How much has the need to be loved restricted an ambitious traveller from reaching the darker recesses of the mind? Not just moments of confusion and drunkenness and embarrassment, but the points beyond the boundaries of polite conversation. It is a theme examined, in part, when the pair are in

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مكتبة المستقبل

ARTS

A penchant for strip cartoons

Andrew Jack reports from Paris on 'L'affaire Francis Blake'

Travelling (exceptionally, I hasten to add) in a first-class compartment on the high-speed train between Lyon and Paris a few months ago, I was surprised to see that free copies of a book had been distributed to every seat in my carriage as part of a marketing exercise.

I was more astonished when I saw what was on offer: a comic book about the violent adventures of an amnesiac secret agent known by his code-name "XIII". But the best was yet to come. A good number of my respectable fellow travellers picked up their gift and began to turn the pages.

While France may be a country that prides itself on its high-level literary prowess and culture, it also has an extraordinarily large appetite for what I recently saw labelled rather pretentiously in an Edinburgh bookshop as "graphic novels".

Walk into the FNAC bookshop near Montparnasse in Paris, and the limited extent of Anglo-Saxon demand is put into proper perspective. There is a huge alcove containing dozens of cartoon strip series, full of avid readers of

all ages. Each January, the town of Angoulême holds a cartoon book festival. Earlier this month, 250 authors gathered at the ministry of culture to celebrate the centenary of the "ninth art", albeit a strip published in the 1896 edition of the New York Journal.

If the interest in extreme violent and pornographic manga (comic books) in Japan is somehow related to the degree of repression in that country, perhaps the generally "softer" European equivalents represent a welcome break even for intellectuals from the heavy texts of Descartes and Pascal.

Maybe it has to do with a nostalgia for past eras, when post-war progress and optimism, the Cold War backdrop and evil-looking characters tackled by Tintin, or the clearly-defined Roman opponents of Asterix and

his rebellious Gauls, offered easy enemies.

Comic books no doubt provide relief from the overbearing French mood of pessimism, against a backdrop of high unemployment, a fracturing social system and the perceived relentless and uncontrollable threat of the "globalisation" of the economy.

They also offer the simple visual pleasure of extremely imaginative, well-executed colour graphics, in albums which are relatively inexpensive. Indeed publishers complain that people are not willing to pay more since they believe they can read a comic book in 45 minutes, even though it is often subsequently re-read and widely circulated.

While most British readers probably have at least a passing acquaintance with Tintin and Asterix, what about such characters as "Blake and Mortimer",



'La Gali de Obélix' sold 1.5m copies in its first week on sale in France

creations just after the second world war of Edgar Pierre Jacobs, a friend of fellow Belgian Georges Rémy, the author of Tintin?

Captain Blake is the stiff upper-lipped, blond and moustachioed senior British intelli-

gence officer devoted to Queen and country, while the red-bearded, pipe-smoking Professor Mortimer is his loyal friend and assistant in the fight against all things evil. The French publisher Dargaud, which acquired the rights to the titles in 1992, did not let the death of Jacobs stand in its way. In the last few weeks, it has sold more than 500,000 copies of *L'affaire Francis Blake*, prepared by an artist and an author (in fact Jean Van Hamme, the creator of Agent XIII) in the style of the original.

Libération, the campaigning left-wing daily French newspaper had no compunction in devoting its entire front page and two inside pages to the new album when it was released in late September, while the worthy *Le Monde* followed up with three articles, heralding extensive media coverage.

There is little doubt that the book, like its predecessors such as the classic Blake and Mortimer *La Marque Jaune*, is beautifully drawn. It is amusing to see how the British are portrayed, sipping their sherry in gentlemen's clubs, their tea in the afternoon, and uttering occasional words in English such as "goddam" to remind the reader where the action is taking place.

For someone attempting to learn French idioms, it also provides an excellent way to pick up a healthy selection, with such phrases as "vous avez du pain sur la planche" (you've got a lot on your plate).

That said, there are some very word-heavy text bubbles to wade through in the album, and an overly didactic tone with lengthy explanations of such spying terms as "dead letter boxes".

Most cheekily of all, there is some unashamed borrowing of plot ideas from *The Thirty-nine Steps*, not to mention a machine-gun fight in an underground cavern at the end which owes a heavy debt to the later James Bond films.

Such questionable originality could equally be applied to the latest - and 30th - album of probably the world's most successful cartoon character, Asterix. *La gali de Obélix* sold 1.5m copies in France in its first week on the shelves.

Unfortunately, Albert Uderzo, the artist, went on producing the albums long after René Goscinny, the author, died in 1977. The designs are lively. The characters struggle on. Some of the funny ideas of the past linger, like the British who speak in French, but with their adjectives placed before the nouns rather than after them. The plot is rather less inspiring, and the humour and ideas all but spent.

It is perhaps time that those associated with comic book classics stepped aside or tried to find new formulae rather than clinging to past glories.

In defence of cultural outsiders

Antony Thorncroft begs to differ on the reputation of Sir Cliff Richard

So judge if you can - the devil incarnate or a misunderstood man.

Well, Cliff, or rather Heathcliff, could not put it plainer as he stands on the stage of the National Indoor Centre in Birmingham at the start of a saga about an outcast who plots revenge against the chattering classes.

I am sure that Sir Cliff Richard does not identify too closely with the hero/villain of Emily Brontë's novel *Wuthering Heights*, which he has finally brought to the stage after years of setback, ridicule and contempt. As far as we know Cliff does not beat up women, gamble recklessly or get into fights at the drop of an aspirin.

But as far as the arts and media establishment is concerned, like Heathcliff, he is one of life's outsiders, joining Sir Andrew Lloyd Webber, Barry Manilow and Catherine Cookson in that select club of personalities who are beyond the artistic pale because they are incredibly successful at bringing unalloyed joy to millions of people.

This sneer at the perpetrators of popular culture is a blot on the arts landscape, especially as it is so selective. When, for a week at least, the nation is encouraged to join in a moral debate, it is extraordinary that some populist entertainers, like Liam Gallagher, are indulged if they behave like anti-social slob while the saintly Cliff Richard can finally launch *Heathcliff* on a cynical world in the sure knowledge that he will be mocked and his life work excoriated.

Well, that has happened, and it would be nice to report that this musical adaptation of the great anti-love story was actually a numbingly life enhancing experience. In fact, for much of the time, it is worse than bad: it is boring. The problem is the music. It sounds like the warmed over scraps from the worst period of popular music, pomp rock, the time when normally sensible stoned rock stars suddenly came over all serious.

Scratch composer John Farrar and you quickly uncover Rick Wakeman. To make matters worse there are not many laughs in *Wuthering Heights*, so not only is

the music pretentious, it is solemnly pretentious. It is just one miserable dirge after another, and when an up beat number comes along, like the endearing "I do not love you Isabella", it seems as chirpy as a Eurovision winner.

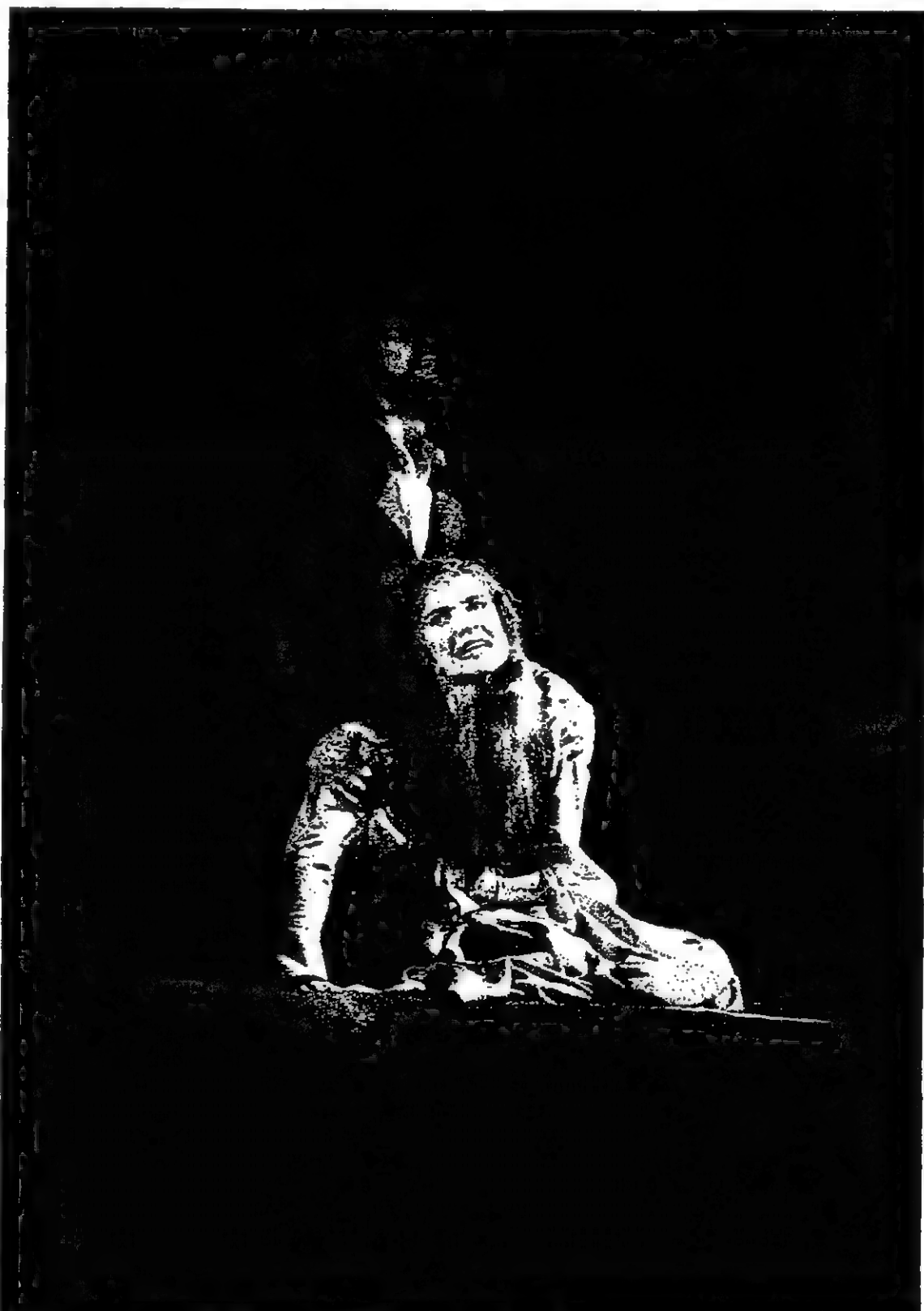
Tim Rice's lyrics hardly help. They sound as if they have been translated from the Lithuanian and quite lack the directness and simplicity which make the novel so readable. Throw in a design by Joe Vanek which looks like one of his cozier brutalist ideas rejected by English National Opera in the 1980s; a direction by Frank Dunlop in which the imaginative input is limited to shifting the action forward 50 years to allow a Victorian Christmas scene; and a totally uncharismatic cast weighed down with costume changes, and you are left with Cliff.

He almost carries it off. He is no great actor and his attempts at smouldering passion too often come across as attacks of acute indigestion. But, generously wiggled and whiskered, he certainly looks the part and while he is on stage, which is most of the time, there is a definite twinkle of stardom.

If *Heathcliff* never quite takes off, and if the onstage relationship between Heathcliff and Cathy (an under-powered Helen Hobson) has all the spark of a sodden match, let's blame Emily Brontë. *Wuthering Heights* is an impossible novel to dramatise because, although there is no shortage of action, the controlling character, Heathcliff, is mainly seen through other people's eyes. He is strangely incomplete and placeless.

This leads to the most ludicrous scenes in the show, the explanation, missing from the novel, as to how Heathcliff suddenly returns to the Yorkshire moors a rich man. Cliff Richard sees him as a Flashman figure, rushing around the world snatching gold from African chiefs and jewels from Indian nabobs in tropical canoes which would look quaint in a Victorian pantomime but which give the dancers the chance to practice ethnic moves.

Given the lack of brio from his



A first glimmer of Cliff, the brute: Cliff Richard as Heathcliff with Helen Hobson

collaborators, Cliff Richard almost carries the show with his blurred vision. He sings his ageing voice off; he plays the hunk to the unadulterated joy of the middle-aged women who make up the bulk of the audience, giving them the first glimmer of Cliff, the brute: his childlike view of a complex book rarely gets close to explaining its genius but a responsive audience can enjoy a good sob story.

At the finale, when the cast reminds the fans of the best num-

bers before they run the gamut of the merchandising stalls offering everything from a Heathcliff mug to a Heathcliff bear, and the committed fans rush the stage for their precious moment with Cliff, you realise that this is basically a cult ritual, very important to a large swathe of the population but outside the experience or the imagination of the Camden Town school.

Heathcliff may be an artistically unrealised dream but it has its moments, especially the lighting.

There are enough pauses to suggest that not all the special effects are up to speed and perhaps one night the spectacle which is waiting to be released may pour forth. In the meantime Cliff Richard can be congratulated on creating a populist extravaganza while critics can only cavil. Still, with 22.5m worth of tickets sold in advance and almost every seat for the 126 dates already bought, Cliff Richard can live well without their help.

Theatre/Ian Shuttleworth
Minor-key pastoral

On this page in April, David Murray described Steven Pimlott's production at its Stratford opening as "a grim, disheartening affair... at a deadly even pace." Not much seems to have changed in six months.

If one lays aside Ashley Martin-Davies' sheet-metal design (which, fortunately, never actually works against the play), Pimlott's is a straightforward production, in period costume, which pays lip service to the notion of gender-bending whilst never truly getting to the meat of the issue: when Orlando meets the disguised Rosalind in the forest, Pimlott choreographs their first exchange as electrically amorous, but since Niamh Cusack looks and behaves not so much androgynously as exactly like a woman in breeches, any greater disturbance underlying the scene is quite absent.

The play's sombre aspect is made palpable in the psychosis of Colum Conway's usurping Duke Frederick (who at one point even cackles hysterically) and in the winter whipping through the forest in which the rightful duke and his court are exiled. For them, this is no pastoral lark, notwithstanding the very arrival of Rosalind and Celia seems to signal the onset of spring.

Social estate and rank are never forgotten either - the duke pays so much attention to Jaques' "seven ages of man" speech that he fails to notice old Adam (but, in John Quayle's performance, not nearly old enough) finally exhorting off to one side.

Here and elsewhere, John Woodvine declaims sentimentally, but not quite compellingly, as a Jaques plainly used to being listened to and indulged. Cusack and Liam Cunningham are personable

enough as Rosalind and Orlando, but not especially distinguished.

They are wholly overshadowed on the entrance of Silvius and Phebe - Joseph Fiennes and the wonderful Victoria Hamilton in holiday mood away from their main roles this season as Troilus and Cressida, and join the only spontaneous applause of the evening (although Pimlott grows excessive in the "what is love?" exchange, turning it almost into a tag-wrestling match).

The other main success is that of David Tennant in pulling off the considerable achievement of making a Shakespearean clown funny without entirely tearing up the script. His barbed-clad Touchstone is a mordant creation, aware that only his fool's licence excuses his constant criticisms and quite conscious that he is misusing Audrey, the goatherd (as is Audrey's suitor, William, who smartly nixes him).

Jason Carr's music is a run-of-the-mill 20th century version of minor-key pastoral - dull, in other words. Hymen, god of marriage, gets a sex change and a nice new frock - in Stratford, apparently, Doreen Andrew appeared in sensible black trouser-suit as a kind of punter *ex machina*; here, she has become literally a fairy godmother.

All of these, however, are minor successes or failures in a production that for the most part is simply there. Pimlott admirably refrains from imposing any grand, idiosyncratic interpretations upon the play; unfortunately, he also avoids imbuing it with much excitement or enjoyment.

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Smokey Joe's Café

a two hour trot through the song book of Lieber and Stoller, arrives in London trailing Broadway prizes. It is a bitter disappointment. The West End needs another rock musical like it needs another Chinese restaurant, but there were high hopes for this compilation.

Unlike the British rock musical, which usually combines the musical subtlety of a Butlin's bar band with the dramatic excitement of *Crossroads*, the American version carries hints of sophistication, promises of theatrical ingenuity, even glamour. Instead we get some glum looking perform-

Smokey Joe's
musical menu

ers belting out hits from the 1950s and 1960s with as much charisma as a telephone directory.

Lieber and Stoller were white boys with black souls and they helped to invent modern pop. "We don't write" they famously said, and went on to provide hits like "Save the last dance for me" and "Up on the roof" for black groups like the Drifters, and then moved on to service Elvis with "Treat me Nice". "Loving You" and more. They deserve their stall in Rock Heaven, but the music has moved on, and two hours of short, sharp, escapist sound bubbles become tedious without the packaging of production values.

And this is what *Smokey Joe's Café* sadly lacks. The café doesn't actually arrive until after the interval and

for the first hour the nine singers just go through their motions in front of sliding screens. The tempo improves after the break, but the great imaginative contribution of Lieber and Stoller - creating miniature dramas in which the singers assume roles, brought to perfection in songs like "Searchin'" - is not exploited to the full, and the dancing only really gets lively as the finale approaches.

Perhaps in time the cast will discover and develop personalities and reach out into the audience but at the moment only Victor Trent Cook, suitably the cookie one with the Halloween pumpkin smile, and B.J. Crosby, the compulsory big fat mamma who gets to sing "Hound Dog", make any impact.

There is nothing wrong with the voices on display

here and between them the cast get through around 40 songs, some classics, some make-weight. But the audience remained resolutely in their seats up to and beyond the under-powered finale. The only way to judge a rock musical is by the length and exuberance of the final jam. On this occasion the aisles were definitely not dancing.

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MACMILLAN

ARTS

The Raphael cartoons have been at the Victoria & Albert Museum since 1965. They are collectively as great a treasure as any on public display. Since 1992 the large court in which they hung has been closed for repair. That work is now completed, the court reopened and these magnificent paintings again on view.

With the ceiling of the Sistine Chapel only lately completed for Pope Julius II, his successor, Leo X, commissioned from Michelangelo's younger rival a decorative scheme for the chapel's lower walls. He asked for a set of tapestries on subjects from the New Testament to be put up and taken down as the church's calendar required. There should possibly have been 16, but only 10 are known to have been made. All are still in the Vatican, though rarely hung in the chapel itself.

Raphael began working on the designs in 1515, producing a full-size cartoon in colour for each, and appears to have completed the cycle well within two years. They were not intended as works of art in their own right. Rather, they were easily portable working designs, made on innumerable sheets of paper stuck together and cut into manageable strips for the weavers to follow.

Such things were collected at that time, and Raphael's fame and the sheer scale of the work would surely have combined to make these cartoons as covetable as any. But so popular did the tapestries become that several further sets were made over the following century. Sent first to Brussels, the cartoons remained long in Flanders, and it was probably their usefulness that kept them safe; they were too fragile a commercial resource to be treated with anything but the greatest care.

It was as strips that Charles I, when still Prince of Wales, bought seven of them in 1623, through his agent in Genoa, for £300. He commissioned a further set of tapestries from the Flemish weavers established at Mortlake. And as he met his death in Whitehall that January morning in 1649, there were Raphael's cartoons, stored in their boxes inside the Banqueting House, still in strips.

They somehow survived the Cromwellian dispersal of the Royal Collections, but it was not until the time of William III that any real interest was taken in them again. William III had had them pieced together and installed in Wren's new King's Gallery at Hampton Court in 1689. Their present public celebrity dates from that moment.

But their travels were not over. George III tried them at Buckingham House and Windsor. Some were lent to the Royal Academy Schools for copying and tracing. In the 1830s their removal to the newly-founded National Gallery was mooted. The issue was only finally resolved when Queen Victoria, acting on her late husband's wish, transferred all seven on permanent loan to the new museum at South Kensington.

In this century they have hung in the Raphael Court, which in height and amplitude has something of the scale of the Sistine Chapel. The daylight has now been excluded, which is a pity but, given the delicacy of works on paper,



'Christ's charge to Peter': one of the cartoons by Raphael commissioned by Pope Leo X as designs for tapestries to be hung in the Sistine Chapel

A drawn Testament

The wonderful Raphael cartoons are now back on show at the Victoria and Albert Museum, writes William Packer

understandable. The bonus is that with ambient light levels so much reduced, the discreet concentration upon the works themselves is brilliantly effective, once a little time is given for eyes to adjust. The handsome old tessellated floor has been revealed and the room itself, again with a nod to the Sistine, has been kept bare of all distraction – save for a bench or two, a Mortlake tapestry on loan from the Duke of Buccleuch, and a terracotta bust from life of the Papal patron, Leo X.

As for the cartoons themselves, a thorough technical examination has revealed more than was ever known before of their construction, history and use. What is remarkable is how little actual restoration was necessary, for they are in astonishingly good condition. If they seem now to glow with an added freshness, it is due more to tricks of light and presentation than to any cleaning or repair.

They are together a perfect sequence of narrative painting, at once monumental and humane.

For all their impressive scale and pictorial ambition, they are yet wonderfully direct. Through them we come as close as we ever can to the artist himself, working unselfishly to an immediate practical end, quite uninhibited by questions of finish or conventional refinement.

Form and detail must be clear and simple, to be read at a distance and readily transferred to the other medium. We follow Raphael through passages where he is clearly a little bored, only to see

his interest pick up again, and drawing grow vigorous and sure, the modelling firm and sound. The lame man is healed in the Temple, the crowd pressing in and pretty faces glancing back among the curving pillars. The disciples haul in the miraculous draught of fishes, and the heron on the bank, like us, can hardly believe its luck.

The Raphael Cartoons on permanent display at the Victoria & Albert Museum, South Kensington SW7.

Radio/Martin Hoyle Season of fitful mellowness

The funniest moment of the week on radio came in Tuesday's *Today* in the item about a Norwegian couple who unexpectedly found the wife's wedding ring – three years after it had been lost when their car went into a ditch – inside a shot mouse. "Were you surprised?" came the inoffensive BBC question. But then Homer, in the shape of those institutions whose standards we take for granted, nods so much these days as to herald an outbreak of bardic St Vitus' dance. *Today* is a case in point. It is strange, when women with Scots accents provide some of the best interviewing, presenting and analysis on radio and television, that their male counterparts are falling behind. No two ways about it: James Naughtie is a worthy, unexciting (and occasionally verbally fluffing) plodder. When he is partnered by one of nature's substitutes like Alex Brodie in a tone of strident callowness, the usually loyal ear finds itself harking to Radio 5 Live.

Incidentally, is there some Radio Times code in the billing of the presenters? On the Monday of the week before last: "James Naughtie and Anna Ford" held sway. Next day it was "Anna Ford and James Naughtie". But then RT last week decided that people practice instead of practising and that "media" is singular, can this be the "Media" that Diana Riggs has successfully played in the theatre according to Kate Harding, evidently no expert in Greek tragedy, in ITV's *London Tonight*?

Age and autumn bring out the arthritic pedant in the listener, and the season is fruitful of not particularly mellow in bowlers. The last in the interesting *Books and Company* series was remarkable not so much for John Welsh's agreeable new metaphor as he wrapped up loose threads, as for Beryl Bainbridge, a Booker shortlist for her novel on the Titanic, displaying her feeling for history by attributing a glimpse of the first world war (1914-18) to *La Bête Humaine* by Zola (died 1902). Tians!

This fit of pernickiness may, perversely, be prompted by one of Radio 3's good deeds. The station's celebration of its half-century is proceeding sedately, almost

nervously, as if unwilling to draw unwelcome attention to itself from an uncomprehending and hostile authority. The archives are discreetly mined for talks and music. (and Beckett's *All That Fall* in its original production.)

Last Sunday's new production of *Man and Superman* was a splendid idea. Shaw's pawky homage to woman, the superior sex, was inflated into Wagnerian proportions by the inclusion of *Don Juan in Hell*, where the modern dramatic personae take on the attributes of the great philanderer, his victims and the devil – not always done of the theatre for reasons of length and crashing boringness.

The production was by Sir Peter Hall, a guarantee of clarity in the tangled skein of argument, counter-argument and paradox, and sumptuously cast. Ralph Fiennes has a little too much of the voice beautiful, but how marvellous it is to hear English pronounced correctly by someone who seems to understand what it means on BBC radio. Juliet Stevenson goes from strength to strength, both as Ann, implicitly the superman, and as a vocally unrecognisable ancient Donna Anna in the underworld.

Paul Merton's chauffeur was much funnier than anything he produced in his new TV show the next evening – what a cunning, casting hunch. John Wood, John Standing and Judi Dench made this a 24-carat achievement of grace, articulateness and intelligence.

But what a waffer G.B.S. was! It is tempting but cheap to take up those feed-lines about his characters' verbosity; besides that was his way of disarming criticism by pre-empting it. No wonder he loved Wagner. Shaw had the Meister's trick of projecting the simplest statement to nightmarish lengths.

Ronically, the interval music was Mozart who could convey the universe in the turn of a phrase. The announcer could not pronounce "Mozart" correctly, unlike those well-loved voices that the present Controller Radio 3 sacked as almost his first act.

Television/Christopher Dunkley

Horizons move closer in 'Century'

A t teatime tomorrow BBC1 transmits the 17th programme in *People's Century*, the biggest documentary series ever made by the BBC. Subtitled "Endangered Planet", this episode provides an over-view of the green movement, from the publication of Rachel Carson's *Silent Spring* in 1962, via the Torrey Canyon disaster and the formation of Greenpeace, to the present day, with increasing international legislation on environmental matters. It is not the first programme to attempt the job, but one of the best, even if it does repeat the claim that "In 1985 a gaping hole appeared in the ozone layer above the Antarctic" when, for all we know, such holes may have been around since time immemorial.

This programme, repeated at 8.00 pm on BBC2 on Monday, has the same sort of historical sweep and much the same dispassionate approach as the first 10 episodes in this remarkable series, which took us from 1900 to the beginning of the second world war. Those 10 were shown last autumn and given a glutton's repeat, packed into one Saturday last August. This season brings Episodes 11 to 16, taking us through the 1940s and '50s and part of the '60s, leaving the final eight programmes to be shown in spring 1997. It is not a straightforward chronology since the programmes tend to take themes – next week's is about the development of cinema and television – and one theme does not obligingly stop at another start.

Interestingly the programmes shown over the past six weeks, or some of them anyway, have seemed more questionable than those in the first batch. One reason could be that these events occurred within our own lifetimes, so that we are familiar with them either at first hand or from having watched other programmes on these subjects. Also, the more up to date you get, the more archive material there is, the more selective you therefore have to be, and the less likely it is that your selection, and thus your interpretation, will chime precisely with that of each viewer. But the main reason seems to be that several of these programmes really were less dispassionate and less godlike in the height of their gaze.

For instance Programme 12, "Freedom Now", told the story of the end of European colonialism in a style that would have been cheered by the Hampstead Labour Party in the mid 1960s. There were occasional references to the differences between the manner in which the British, French, Belgians and Portuguese left their colonies. But if you were coming new to the subject this programme would leave you with a hint that some writers have actually saluted the way Britain ended its empire. Moreover, no attempt was made to stand back and put this particular era of imperialism into a context of world history. How did African experience under the

Europeans stack up against, say, the Estonians under the Russians? Colonialism has been common to all periods of history and all areas of the globe, and it seems oddly unimaginative for a series with such scope to stick exclusively to such familiar stuff.

Much the same applies to Programme 16, "Skin Deep", which dealt with tribal and racial hostility and systematic persecution but restricted itself to the two examples that television has already made so familiar: South Africa and the US. There is no denying that the fight for black rights in the US and the battle against apartheid in South Africa are important aspects of

20th century history. But the same century has seen horrendous wrongs of a comparable sort meted out against the untouchables in India, class genocide practised by Pol Pot and his followers in Cambodia, appalling tribal or racial animosity from Nazis, Turks, Serbs and a host of others. Perhaps television producers have some secret knowledge that when you are burned to death for your tribal identity it hurts less if the person wielding the match has skin the same colour as your own. If not, why do they persist in looking at such a limited set of examples?

Such small horizons come as a surprise after the scope of the early programmes, and it cannot all be put down to television's supposed over-population by breast beating liberals. Programme 15, "Asia Rising", was also puzzlingly limited in its scope. The subject was the "tiger economies" or, since the programme begins in the early 1950s before the phrase was invented, the economic miracles wrought in countries around the Pacific rim. Why were we told only about Japan and South Korea? Surely any viewer coming to this series in 15 years time – or as little as five – will consider this to be a strangely restricted view.

I could not stop watching *People's Century*. Its ambition is too unusual, its archive finds and interviews too impressive. But it will be interesting to see whether the third phase recaptures that magisterial sense of historical perspective or whether matters prove more and more difficult as we come nearer and nearer the present.

Record Review/Peter Aspdon

The long and winding road revisited

W e may be creeping stealthily towards the new millennium, but pop music in Britain still cannot resist looking backwards to its golden age. Last year's summer of "Gripes" was heavily influenced by the bright sounds of the mid-1960s, drawing on a classic tradition of short, snappy singles and urgent melodies. It even prompted a revival of British cultural triumphalism, embodied by the paucity of new talent from the US. But someone ought to remind the young stars of the 1990s that the decade which they revere with such passion fell apart sadly in disillusionment and acrimony; and that they would be wise to avoid falling into the same trap.

There is plenty of evidence around right now to help them learn their lessons. There is the third and final part of *The Beatles Anthology* series of outtakes and non-album releases on Monday (EMI): a parody of Fab Four nostalgia in *The Rules' Archaeology* (Virgin); and finally a blast from that "brief moment (when) it seemed that rock 'n' roll would inherit the earth", the infamous *Rolling Stones Rock and Roll Circus* (Abkco) from December 1968.

As that hubristic quote from the sleeve note suggests, 1968 is the year that is considered to have marked a turning point in pop sensibility. Putting the deaths of Martin Luther King and Bobby Kennedy and other socio-political crises aside, you can hear the decline in confidence in the music alone on the Beatles collection, for instance, where the joyful experimentation of previous material has been replaced by cries for help: "I need a fix cos I'm going down" sings John Lennon in "Happiness is a Warm Gun"; "I'm coming down fast but don't let me break you" counters Paul in an ominous slow version of "Helter Skelter" – and that is just the first two songs.

If the previous era had been the years of "dash and daring", here are the months of toil and turmoil. As with the previous *Anthologies*, this is strictly material for the hard-core fan, who will appreciate, with some sadness, the grisly minutiae that chronicle the group's final years. There is McCartney's despectored version of "The Long and Winding Road", as the author intended; but just listen to Lennon's disgracefully sloppy bass playing and you might have more sympathy for Spector's lush arrangement. By way of contrast, McCartney's words of encouragement from the mixing desk as Lennon attempts to perfect the difficult guitar part to "Julia" are rather touching.

Of the new material, Lennon's bizarre "What's The New Mary Jane", dropped at the last minute from the White Album, and McCartney's jaunty versions of "Step Inside Love" and "Come And Get It", songs he threw away to his muckers, are good fun; and "Two of Us" sounds more poignant than ever. The end is "The End", and all that stuff about the love you make and the love you take, which is a good line on which to finish. Better, at least, than that nonsense about inheriting the earth. Goodness knows what has inspired the release of *Rock and Roll Circus*, a tired piece of rock history best left to the foggy recollections of those who claim to have witnessed the event at first hand.

This is the famous appearance of one of rock's first "supergroups", The Dirty Mac, featuring Lennon, Eric Clapton, Keith Richards and Mitch Mitchell, playing an uninspired two-track set: they are overshadowed by the song's chorus referred to "Ginger Baker's tapas bar", which at least ventured the thought that old hippies can prosper in the unlikely spheres given sufficient career guidance; but sadly this turned out to be just another profound mystical couplet in an Eastern tongue. Don't these boys know about Sexy Sadie?

For a smooth, mature, intelligent transition from 1966 to 1968, Jont Mitchell's *Hits and Misses* (Reprise) are wonderful collections, though there are plenty of surprising omissions. The way the clean, fresh sounds of "Urge For Going" and "Chelsea Morning" turn into the dark paranoias of "Sex Kills" tells the story of the last 30 years better than any grandiose sleeve notes.



The Fab Four in their heyday but *'Anthologies'*, which ends appropriately with 'The End', is strictly for the hard-core fan

INTERNATIONAL ARTS GUIDE

What's on in the principal cities

ADELAIDE

EXHIBITION
Art Gallery of South Australia
Tel: 81-8-2077000
● Tom Roberts: this retrospective exhibition of the founding figure of Australian Impressionism, Tom Roberts, aims to shed light on his achievements as an artist and his place within Australian art history. The works on display represent all periods of his life and development: overseas travel, the artist's camps around Melbourne and Sydney, the national subject paintings of the 1890s, his portraiture and his late English and Australian landscapes; to Nov 17

AMSTERDAM

CONCERT
Concertgebouw Tel: 31-20-6718345
● Bruno Canino, Saschko Gawriloff and Siegfried Palm: the pianist, violinist and cellist perform works by Mozart, Henze and R. Schumann; 8.15pm; Oct 28, 30

BARCELONA

CONCERT
Palau de la Música Catalana Tel: 34-3-2681000
● London Symphony Orchestra: with conductor Riccardo Chailly, soprano Katarina Dalayman and bass Gudjon Oskarsson perform works by Schoenberg and Wagner; 9pm; Oct 28

BASEL

EXHIBITION
Kunstmuseum Basel Tel: 41-61-2710228
● Aquarelle. Werke 15. bis 20. Jahrhundert aus dem Kupferstichkabinett Basel und einige Leihgaben: exhibition featuring 15th-20th century watercolours. The majority of the works on display come from the collection of the Kunstmuseum Basel, but also included is a selection of works from other Swiss public and private collections. Artists represented include Cézanne, Turner, Holbein, Cranach, Plüss, Gaudin, Rodin, Klee, Robert and Sonia Delaunay, Macke, Kandinsky, Nolde, Kroeher and others; to Nov 10

BERLIN

CONCERT
Konzerthaus Tel: 49-30-203090
● English Chamber Orchestra: with pianist Emanuel Ax perform works by Mozart, Chopin and Bartók; 8pm; Oct 31

OPERA

Deutsche Oper Berlin Tel: 49-30-3438401
● Die Zauberflöte: by Mozart. Conducted by Sebastian Lang-Lessing and performed by the Deutsche Oper Berlin. Soloists include Amanda Halgerson, Carol Malone and Clemens Bleber; 8.30pm; Oct 26
Staatsoper Unter den Linden Tel: 49-30-20354438
● Das Rheingold: by Wagner. Conducted by Daniel Barenboim and performed by the Staatsoper Unter den Linden. Soloists include Falk Struckmann, Antti Soininen and Endrik Wottrich; 7pm; Oct 26

BIRMINGHAM, UK

CONCERT
Symphony Hall Tel: 44-121-2002000
● BBC National Orchestra of Wales: with conductor Mariss Jansons and pianist Bella Davidovich perform works by Mendelssohn, R. Schumann and Mahler; 8pm; Oct 29

BONN

CONCERT
Oper der Stadt Bonn Tel: 49-228-7281
● Peter Schreier: recital by the tenor, accompanied by pianist Alexei Lubimov. The programme includes Schubert's Schwanengesang and Beethoven's An die ferne Geliebte; 8pm; Oct 28

BRUSSELS

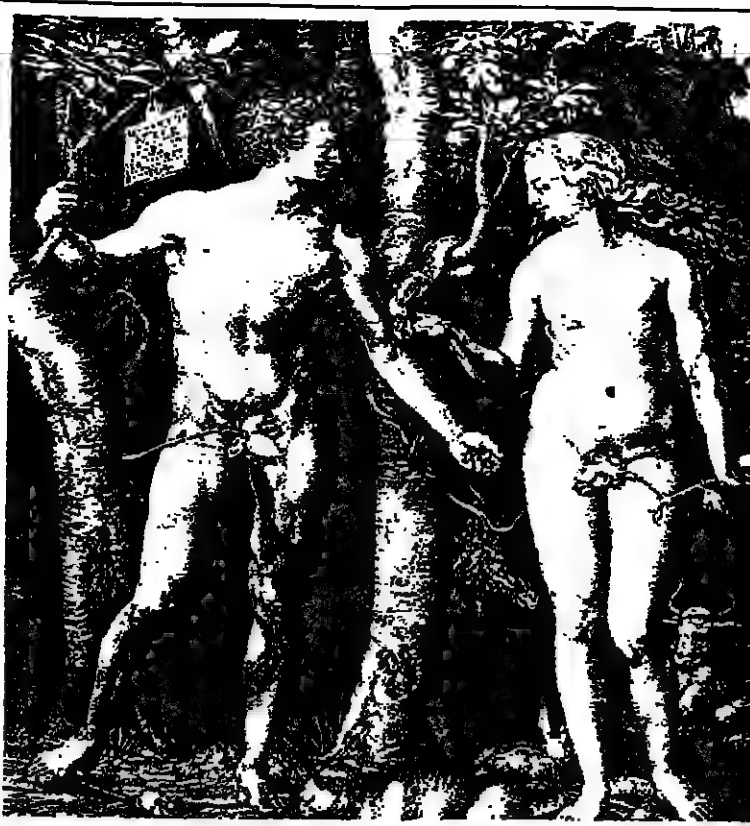
CONCERT
Palais des Beaux-Arts Tel: 32-2-5078588
● Koninklijk Concertgebouworkest Amsterdam: with conductor John Eliot Gardiner and mezzo-soprano Anne Sofie von Otter perform works by Berlioz and Mendelssohn. Part of the Festival van Vlaanderen; 8pm; Oct 26

CAPE TOWN

EXHIBITION
Museum Collection - Old Town House Tel: 27-21-246367
● Cartoons by Abe Berry: exhibition of works by Abe Berry. This South African cartoonist became best known for his work for "The Star", but he freelanced for several other publications. The exhibition is held in collaboration with the Mayibuye Centre at the University of the Western Cape, which has a large number of Berry's originals; to Nov 30

CHICAGO

THEATRE
The Goodman Theatre Tel: 1-312-443-3800
● Seeking the Genesis: by



Adam and Eve, by Albrecht Dürer (see Edinburgh)

Corthron (world premiere). Directed by Walter Dallas. The cast includes Ora Jones, Demetrius D. Thornton and Tim Edward Rhoads; 7pm; Oct 28

DUBLIN

EXHIBITION
National Gallery of Ireland Tel: 353-1-6615133
● Treasures of the Royal Horticultural Society: this travelling exhibition is designed to bring the Society's collection of botanical paintings and drawings to a wider public. It consists of 70 images and three bound volumes ranging from 17th-century Dutch flower studies by several portraits by contemporary botanical artists. Included are botanical illustrations by artists such as Michel van Huisum, Ferdinand Bauer, Augusta Innes Withers, John Lindley and Lillian Snelling; from Oct 30 to Dec 16

DUSSELDORF

ART & ANTIQUE FAIR
Messe Düsseldorf Tel: 49-211-456001
● Art multiple: 170 art dealers from Europe and the United States are represented at the fifth edition of this international art fair featuring prints, sculptures, multiples, photographs, works on paper, and other objects. A special exhibition at the fair is devoted to multiples by the German artist Joseph Beuys; from Oct 30 to Nov 5

EDINBURGH

EXHIBITION
National Gallery of Scotland Tel: 44-131-5568921
● The Age of Dürer: German Renaissance Prints from the British Museum: exhibition of German Renaissance prints from the collection of the British Museum; from Oct 31 to Dec 16

FRANKFURT AM MAIN

DANCE
Jahrhunderthalle Höchst Tel: 49-69-3601240
● Alvin Ailey American Dance Theater: perform Alvin Ailey's choreographies Suite Ois, Sweet Release and Revelations; 8pm; Oct 30, 31

GENEVA

EXHIBITION
Petit Palais Musée d'Art Moderne Tel: 41-22-3461433
● La Pointillisme: exhibition of some 70 works from the Neo-Impressionist collection of the Petit Palais. The display includes works by artists such as Albert Dubois-Pillet, Maximilien Luce, Charles Angrand, Van Rysselberghe, Van de Velde, A.J. Heymans, Henri Martin, Pietro Mengoni, Signac, Gauguin, Laugé and H. Petitjean; to Dec 31

HANOVER

OPERA
Opernhaus Tel: 49-511-1686161
● Romeo and Juliet: a choreography by Tom Schilling to music by Prokofiev, performed by the Ballett Hannover; 7.30pm; Oct 27

HOUSTON

EXHIBITION
Museum of Fine Arts Tel: 1-713-639-7300
● Masterpieces from The Pierpont Morgan Library: this exhibition features over 175 objects from the Library's collections of old master drawings, medieval and Renaissance illuminated manuscripts, ancient seals, early printed books, authors' and composers' manuscripts, and Americans; to Jan 5

LISBON

CONCERT
Grande Auditório da Fundação Gulbenkian Tel: 351-1-7935131
● Orquestra Gulbenkian: with conductor Mihai Tang, clarinetist Esther Georgie, trumpeter Sergei Nakariakov and pianist Tanja Achot perform works by Nielsen, Hummel and R. Strauss; 8.30pm;

LONDON

AUCTION
Sotheby's; Parke Bernet & Co. Tel: 44-1-71-598080
● Michael Caine's Los Angeles Collection of Art Deco: third and most important sale in a series of four offering works from the collection of art and antiques which decorated actor Michael Caine's second home in Los Angeles. Included are works by Galle, Daum, Tiffany, Lalique, Mucha and Erte; 2pm; Nov 1

CONCERT

Wigmore Hall Tel: 44-171-9352141
● Christoph Prégardien: performance by the tenor, accompanied by pianist Michael Giese. The programme includes Schubert's "Die sie hier gewesen", "Du bist die Ruh" and "Lachen und Weinen"; 7.30pm; Oct 30

OPERA

Royal Opera House - Covent Garden Tel: 44-171-2129234
● Siegfried: by Wagner. Conducted by Bernard Haitink and performed by the Royal Opera. Soloists include Siegfried Jerusalem, Deborah Polasky and John Tomlinson; 5pm; Oct 28

LOS ANGELES

EXHIBITION
Los Angeles County Museum of Art Tel: 1-213-857-8000
● Hidden in Plain Sight: Illusion in Art from Jasper Johns to Virtual Reality: this exhibition examines the status and meaning of visual realism in contemporary art with a selective survey of 100 works by sixty international artists. Beginning with Jasper Johns' iconic "Flag" of 1956, Pop, surrealism, appropriation, photo-based, video, performance, and immersive electronic media artworks demonstrate how the boundaries between the original and the copy, the authentic and the false, and the present and the past are constantly being tested in our emerging technological era; from Oct 27 to Jan 12

MADRID

CONCERT
Auditorio Nacional de Música Tel: 34-1-3370100
● Philharmonic Orchestra of London: with conductor Georg Solti perform works by Shostakovich and Brahms; 7.30pm; Oct 31

EXHIBITION

Fundación Colección Thyssen-Bornemisze Tel: 34-1-4203944
● Contexts of the Permanent Collection 2: "Kirchner, Franz in front of Carved Chair, 1910": exhibition dedicated to Ernst Ludwig Kirchner's painting "Fräulein in front of Carved Chair", dated 1910. Alongside this work, 17 related works - oils as well as drawings - are shown; from Oct 29 to Jan 26

MANNHEIM

EXHIBITION
Mannheimer Kunstverein Tel: 49-621-402208
● Joseph Beuys/Walter Pichler: this exhibition of drawings by Joseph Beuys and Walter Pichler aims to give insight into the working methods of these artists; from Oct 27 to Dec 15

MONTREAL

EXHIBITION
Musée des Beaux-Arts de Montréal Tel: 1-514-285-1600
● René Magritte: exhibition devoted to the work of this Belgian Surrealist. The display includes close to 100 items from public and private collections in Europe and North America. As well as paintings and drawings, the show features sculptures, objects, photographs, posters and illustrations; to Oct 27

MUNICH

OPERA
Nationaltheater Tel:

NEW YORK

CONCERT
Carnegie Hall Tel: 1-212-247-7800
● Bryn Terfel: recital by the bass-baritone, accompanied by pianist Malcolm Martineau. The programme includes works by Schubert, Fauré and Butterworth; 7.30pm; Oct 28

EXHIBITION

The Metropolitan Museum of Art Tel: 1-212-879-5500
● Corot: retrospective of the art of the French landscape painter Jean-Baptiste-Camille Corot (1796-1875), organised on the occasion of the 200th anniversary of the artist's birth. Comprised of 150 paintings - dating from the early 1820s to the mid-1870s and gathered from private and public collections around the world - the exhibition examines the entire career of this artist, whose influence extended well into the 20th century. The retrospective, which is organised chronologically, charts Corot's evolution as a painter, from his early Italian sketches to his famed Salon pictures to the figure studies of his final years. The exhibition was previously shown in Paris and Ottawa; from Oct 29 to Jan 19

OSLO

EXHIBITION
Munch-museet-The Munch Museum Tel: 47-22-673774
● Munch and after Munch - or the obstinacy of painters: exhibition showing a selection of late work by Edvard Munch (1863-1944) in combination with work by several contemporary artists who have either expressed great admiration for him or whose work expresses influences from Munch. The display includes 45 works by Munch as well as 50 works by European Post-War artists such as Karel Appel, Ernst Wilhelm Nay, Arnulf Rainer, Joseph Beuys, Jannis Kounellis, Georg Baselitz, Gerhard Richter, Markus Lüpertz, Jakob Weidemann, Per Kirkeby, Günther Förg and Dominic Blanchi. The exhibits come from the collections of the Munch Museum and the Stedelijk Museum, Amsterdam, where the exhibition was previously shown; to Dec 15

PARIS

CONCERT
Théâtre des Champs-Élysées Tel: 33-1-49 52 50 60
● Pier 1: Armoys and Mikhail Rudy: the viola-player and pianist perform works by Janáček, Mozart and Brahms; 11am; Oct 27
EXHIBITION
Fondation Cartier pour l'Art Contemporain Tel: 33-1 42 18 55 50
● Double vie, double vue: this exhibition comprises some 150 works by 60 international photographers, along with a canvas by Jean-Olivier Huotoux and video films, and covers the entire field of "Art for Two", one of the three themes put forward for the French "Mois de la Photo" 1996. Included are portraits of twins by artists such as Diane Arbus, Laura Samson-Rous, Imogen Cunningham, Pere Formiguera and others, as well as works by photographers who work in pairs including Feiten and Messinger, Aziz and Cucher, Van Lawick and Müller, McDermott and McGough, and Minkoff and Oleson. From 10 January to 16 March 1997 the exhibition will be on show again, at the same location; from Nov 1 to Dec 29

SAN FRANCISCO

EXHIBITION
California Plaza of the Legion of Honor Tel: 1-415-863-3330
● Masterworks of Modern Sculpture from the Nasher Collection: this exhibition, organised with the Solomon R. Guggenheim Museum in New York, consists of approximately 65 modern and contemporary sculptures from the Raymond and Patsy Nasher collection of Dallas, Texas. Installed in the Legion's entrance courtyard, patios, sculpture terraces, and new exhibition galleries, the presentation ranges from turn-of-the-century works by Auguste Rodin, Constantin Brancusi, Medardo Rosso, and others, to contemporary pieces by such artists as Anthony Caro, David Smith, Magdalena Abakanowicz, and Mark di Suvero. Sculptures by Pablo Picasso, Henri Matisse, Alberto Giacometti, Joan Miró and Raymond Duchamp-Villon are represented in great depth by this collection; from Oct 26 to Jan 12

ST. PETERSBURG

EXHIBITION
The State Hermitage Museum Tel: 7-812-3113801
● The Drawings of Luigi Premazzi: this exhibition presents approximately 120 works by Luigi Premazzi, one of the most famous watercolour painters working in Russia in the 19th century. The works on display come from the collections of the State Historical Museum, the Central Naval Museum, the Peterhof and the Pavlovsk State Museum; from Oct 30
STOCKHOLM
EXHIBITION
Kungl. Akademien för de Fria Konsterna (Royal Academy of Fine Arts) Tel: 46-8-232945
● Ulf Trotzig: exhibition featuring works by Ulf Trotzig (b. 1952), the painter, draughtsman and graphic artist who lives and works in Paris since 1954; from Oct 28 to Dec 1
SYDNEY
OPERA
Drama Theatre, Opera Theatre, Playhouse Tel: 61-2-250-7127
● Die Zauberflöte: by Mozart. Conducted by Michael Collins, performed by the Australian Opera (in English). Soloists include Clare Gormley, Jennifer McGregor, Angus Wood and Donald Shanks; 7.30pm; Oct 30
TAMPERE
JAZZ & BLUES
Tampere Jazz Happening Tel: 358-3-219 6751
● Moscow Composers Orchestra: with conductor/pianist Vladimir Miller, trumpeters Vyacheslav Gayvoronov and Yuri Parfyonov, bassoonist Alexander Alexandrov, percussionist Mikhail Zhukov, violinist Alex Kolkowsky and vocalist Sainkho Namchylak perform jazz music at the Old Customs House. Part of the Tampere Jazz Happening; 8pm; Nov 1
TEL AVIV
CONCERT
Frederic Mann Auditorium Tel: 972-3-5289183
● Messiah: by Handel. Conducted by Zubin Mehta, performed by the Israel Philharmonic Orchestra and the Prague Philharmonic Choir. Soloists include soprano Laura Aldin, mezzo-soprano Barbara Dever, tenor Dean von der Walt and bass-baritone Dean Peterson; 8.30pm; Oct 31
TOKYO
EXHIBITION
Idemitsu Museum of Art Tel: 81-3-32139402
● The Path to Enlightenment: Masterpieces of Buddhist Sculptures from the Musée Guimet: exhibition of 71 objects from the collection of the Musée Guimet in Paris, the French national museum of Asian art. The exhibition traces the development of Buddhist art from its origins in north central India through all of Asia. The objects range in date from the first through the 19th century and are expressed in a wide range of media including stone, terra-cotta, wood, bronze and precious metals; to Dec 15
VALENCIA
CONCERT
Palau de la Música i Congressos Tel: 34-6-3375020
● Orquesta del Conservatorio Superior de Música de Valencia: with conductors Roberto Forés and Enrique García Asensio and pianist Mario Monreal perform Palau's Gongoriana, Valencia, Obertura Española and Silvestre; 8.15pm; Oct 30
VENICE
EXHIBITION
Palazzo Grassi Tel: 39-41-5231680
● The Western Greeks: this exhibition aims to illustrate, through archaeological documents and antique works of art, the civilization which developed in the Greek colonies in the west - from Italy to Sicily to Cyrenaica, from Provence to the Iberian Peninsula - and its contribution to the formation of European culture; to Dec 8
VIENNA
CONCERT
Musikverein Tel: 43-1-5058681
● Wiener Philharmoniker: with conductor Claudio Abbado perform works by Bruckner; 8.30pm; Oct 31
WASHINGTON
CONCERT
Concert Hall Tel: 1-202-467 4600
● The King's Singers; 8.30pm; Oct 30
EXHIBITION
National Gallery of Art Tel: 1-202-7374215
● Michelangelo and his influence: Drawings from Windsor Castle: this exhibition examines examples of Michelangelo's draughtsmanship and demonstrates the impact of the artist on the imagination, technique, style and imagery of his contemporaries and successors. Eighteen sheets with twenty-three of Michelangelo's drawings and fifty works by his contemporaries and followers, in addition to a small number of engravings, were selected from the Royal Collection Trust to illustrate the effect of Michelangelo's work in drawing, painting and sculpture. Raphael, Sebastiano del Piombo, Perino del Vaga, Pordenone, and Annibale Carracci are among the 26 additional artists represented in the show; from Oct 27 to Jan 5
● Listing compiled and supplied by ArtBase The International Arts Database, Amsterdam, The Netherlands. Copyright 1996. All rights reserved. Tel: 31 20 664 6441. E-mail: artbase@pi.net

CHESS

Problem solvers and postal chessplayers like to believe they have rare qualities which even the best over-the-board experts cannot easily acquire.

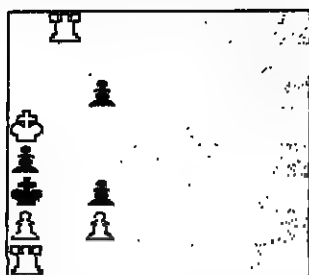
But specialist solvers were taken aback in the 1980s when grandmasters John Nunn and Jon Mestel entered the annual Lloyds Bank Solving Championship and carried off several first prizes.

Their prime asset was speed: in finals against the clock, a GM's fast calculation offsets ignorance of themes, cooks and tries.

There may be a similar trend in postal chess, where past OTB experts found it hard to adjust to the slower pace. Then Jonathan Penrose, who won the British championship a record 10 times, changed to postal and reached No 1 in the world rankings; and now Ulf Andersson, formerly one of the best OTB players, has achieved a GM score with his first nine games of postal chess.

Andersson's approach is in relaxed contrast to serious postalists: he takes no notes other than the actual moves, and analyses his games on a pocket set at his favourite

café (Andersson v Berni).
1 d4 Nf3 2 Nf3 e6 3 g3 b5 4 Bg2 Bb7 5 0-0 c6 6 Bg5 Ne6 7 Na3 Nc7 8 c4 b4 9 Nc2 a5 10 e4! This gambit is very different from Andersson's arid OTB endgame style. Bxe4 11 Re1 Bxc2 12 Qxc2 cxd4 13 Nxd4 Ra6 14 Rb8 14 Nc6! dxc6 15 Bxc6+ Ke7 16 Rad1 Qc8 17 Qd2 wins.
14 Rad1 b6 15 Bx6 Qx6 16 Qxd4 Bc5 17 Nxe6! Bxf2+ 18 Kh1 Kx6 19 Qxd7+ Kf8 20 Kxe6 Qxe6 21 Qxe7 g6 22 Rf1 Resigns. 1f Bb6 23 Qb7 f5 24 Rd1 and c5 is decisive.



No 1.181.
White mates in four moves against any defence - an old classic which looks easy but tests imagination.

Leonard Barden
Solved Page 11

BRIDGE

Good players will present you with high-level problems as often as they can - they know that even the experienced campaigner cannot make a considered decision with all his bidding space squandered. To this end, on hand two of a team's final, our opponents abandoned the scientific approach in favour of overt aggression.

East's hostile pre-empt had pushed us past a safe level and, although 5S very nearly makes, it is a phantom sacrifice against our non-making contract. The next time you wonder whether to bid on or double, remember that one of the prime guidelines in competitive bidding is that the five level is for the opponents.

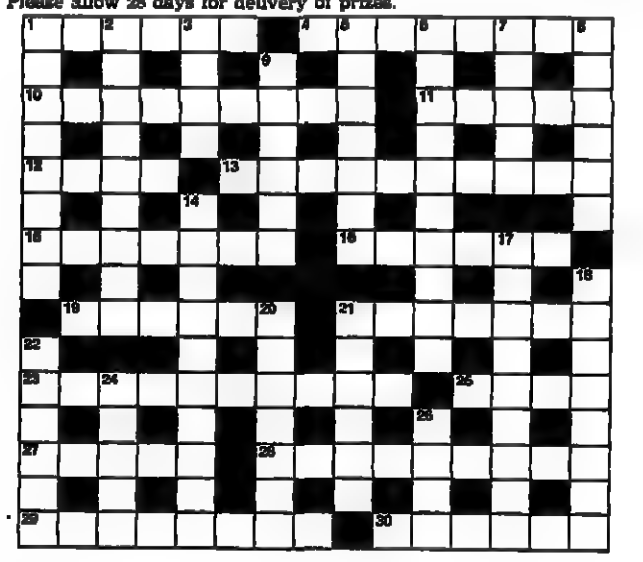
In the Bridge Olympiad in Rhodes, Great Britain's Open team is still in contention to qualify for the quarter-final stages, but the Ladies' team is finding the heat of battle tough going.

Paul Mendelson

CROSSWORD

No. 9,209 Set by DINMUTZ

A prize of a classic Pelikan Scruverin 800 fountain pen for the first correct solution opened and five runner-up prizes of £36 Pelikan rounders. Solutions by Wednesday November 6, marked Crossword 9,209 on the envelope, to the Financial Times, Number One Southbank Bridge, London SE1 9HL. Solution on Saturday November 9. Please allow 28 days for delivery of prizes.



Name: _____
Address: _____

ACROSS
1 Inferior reproduction? (5)
4 Hearing roll in special court (6)
10 Tense and flawed (6)
11 Barney v Chuck? (5)
12 Complain bitterly of bird (4)
13 Latin tenor out of tune? How uncharitable! (10)
15 Plain American repair i ordered (7)
16 Church in different isms is what might divide it... (6)
19 Cardinal admits battle is for honour (6)
21 Stronghold taking on a French lot (7)
23 Cannot stir, perhaps, in such repression (10)
25 Brick drive can come from such bowling (4)
27 Down under, a native of noise abatement (5)
28 Gear in which to hunt down diamonds, for example (8)
30 Grace had the French play-er in cricket club (unknown number) (8)
30 Eerie silent flocks? (6)

DOWN
1 They support sportsmen taking the cup (6)
2 Explosion in pit - vacate entrance (6)
3 N. American railway never in English country? (4)
4 Allowances made for painter turning into sculptor, initially (7)
6 Old instrument made from wild beast's antler (6-4)
7 Bellini's girl less than conventional? (5)
8 Land up in Swift's country (4)
9 This sitting can change in bishop's office! (6)
14 Merrythought of foul origin, we hear (10)
17 North Wind reportedly affected cup result (9)
18 Memos in support of important tonics (6)
20 Playing cards, it can be desperate (7)
21 Ornament on spire? There's one in terminal! (6)
22 As sharp as a police department in charge (6)
24 Name formerly for the present (5)
26 Being blood related, taking heart (4)

Solution 9,208
STUNNING GABRIEL
IMPROVED DANGER
PERPETUAL JAMPA
V SEES CRIMINALITY
ADVISED FREE
KEYWORD PIZZANO
H H H H H H H H H
ANUBIS MISDEPENT
CRIMINALITY
KINDER DEPARTED

Solution 9,197
GABRIEL ADVERTS
O G M H I E
COUGHLIN ENDURE
R A T A C M W
BEVERLY STABLE
H H H H H H H H H
C A S E BLUEBONNET
HYPOTHETICAL
E P U O N A C
GUARDIAN TRIANGLE
H H H H H H H H H
ELEVEN COCKTAIL
H O O K S O
SATIRY ASBESTOS

WINNERS 9,197: R.S. Glover, Plymouth; P. Boldy, London N8; P.A. Duesbury, Burton, Nottingham; Sally Gregory, Lincoln; Mrs D. O'Leary, Whitechurch, Cardiff; A. Polakowski, Mold, Flintshire.



James Morgan

A union of eccentrics and extremists

The EU has united Europeans in their belief that it stands for everything they cannot stand

On the south coast of England last weekend there was staged an event that struck fear in the heart of Brussels. Sir James Goldsmith's Referendum party held its pre-election conference. The party programme demands a referendum (questions unspecified) on Britain's place in a Europe dominated by Germany.

On the south coast of France, meanwhile, there was an even more significant event, a by-election in Gardanne, near Marseille. In the run-off, the Communist candidate beat the National

Front. Other parties had been eliminated in the first round.

Both candidates were firmly against the Maastricht Treaty and all that. The naive might have thought this would make it a friendly affair but, in conceding victory, the Front was less than graceful: "The union of the rotten has elected the candidate of the Gulag."

A local paper, *Midi Libre*, said the election had opposed two archaisms: "The extreme left and an extreme right to which we have, for 20 years, abandoned so much terrain. Does that truly incarnate the France of today?"

It actually incarnates the lack of acceptable anti-Europe candidates. So *Sud-Ouest* asked: "Was the result not a confirmation of the rejection of the monetarist vision of Europe?"

Again we see how the EU stands for everything we cannot stand. To Goldsmith's party it is another German plot to take over Europe. To the prominent Catholic, Lord Rees-Mogg, it is the result of misconceived social teaching as incarnated in the encyclical, *Communio*, of 100 years ago. He told readers of *The Times* this week that the thoughts of St Thomas Aquinas

could not be integrated into modern economics.

The Union is a wonderful thing and Europe could not be without it. Politicians blame it for grotesque regulations which they have themselves supported. The Maastricht Treaty is blamed for the excesses of monetarist neo-liberalism and destruction of the welfare state. And now it is castigated as a debased form of clerical socialism. The EU has become a sponge to absorb our fears and phobias.

So it is that Sir James can oppose Brussels for entirely different reasons on behalf of his

two nationalities - he donned both tricolour and union jack last Saturday. In France, the EU is presented as a free traders' sell-out, sacrificing national industries to Asiatic ants. In Britain, which has a purportedly beneficial relationship with those ants, Brussels becomes a tool of German revanchism.

The Germans, meanwhile, as the biggest net contributors to the European budget, see Brussels as a syphon down which their money flows. To this end they are making the biggest single sacrifice, giving up their D-Mark for the euro, sometimes

lovingly known as *Palermo-Geld*.

So it was with rare excitement that one turned to last Monday's *Frankfurter Allgemeine Zeitung* to read about the Referendum party conference. It started nicely: "Other nations have their extremists, the British have eccentrics." As an example, the writer took the case of Screaming Lord Sutch, leader of the much-loved Monster Raving Loony party (slogan: "Vote Loony, you know it makes sense"). According to the report, Sir James was an eccentric and an extremist - but then he was only half British. He "is however

so much more disquieting than Lord Sutch for he takes everything so frightfully seriously."

When the *Frankfurter Allgemeine* accuses others of taking things too seriously one enters uncharted territory. On the other hand, how seriously can one take a Referendum party that won't tell us the question?

This is a situation made for Lord Sutch. Nobody has yet proposed a referendum on what question the referendum should ask. That is what Britain is crying out for today.

James Morgan is BBC World Service economics correspondent.

Magnus is an electronic version of the "brain in a bucket" beloved of philosophers and science fiction writers. He does not, however, lie in a basin of chemical fluid with one eye swivelling angrily about the room; he is a computer simulation of a robot whose outside world is supplied, inside the same computer, by another computer program.

Sometimes, Magnus is taken to the "virtual" kitchen where he runs his simulated eye over digitised pictures of knives, forks, plates, glasses and apples. As he scans them, he learns what they are because the names of the objects are typed into his simulated neurons.

Magnus is the brainchild of Professor Igor Aleksander, and is the forerunner of what the professor calls "that mother of all oxymorons, a conscious machine".

Aleksander is careful to say that what he is designing is an artificially conscious machine. But he claims that if Magnus were to be built with nuts and bolts one day, and given about 40 years to stuff its neural network with knowledge of the real world and the language to talk about it, it will be as conscious as any human being. It will not simulate thought or understanding. It will have it.

Magnus, says Aleksander, is the blueprint for machines like Hal, the on-board computer in Stanley Kubrick's film *2001: A Space Odyssey* which had to be unplugged because it started killing off the astronauts. "The malevolence of Hal is sci-fi, of course. But a machine like Hal, that will have a relationship with people, may be on the horizon."

Aleksander's project is described in *Impossible Minds*, published last month by Imperial College in London where he is head of the Department of Electrical and Electronic Engineering. "It's my life's book," Aleksander said. "It represents the completion of something I've been trying to say for about 30 years. I've never felt quite so happy."

Others will not be. The professor's claims are controversial and his book has arrived at a time when scientific debate about consciousness is raging.

Most scientists and philosophers now accept that there is a materialist explanation for consciousness, that the mind is a function of the body - of that grey squishy stuff called brain. But they disagree violently over whether mental states - thoughts, sensations, emotions, intentions - are the same as processes inside a computer.

Some computer scientists working on artificial intelligence see no distinction. On



The psychologist uses rats but engineer Igor Aleksander believes the octopus, both primitive and sophisticated, is ideal for experimentation

Private View

The mastermind's baby

Igor Aleksander tells Christian Tyler of his ambition to create an electronic mind

the other hand, John Searle, the philosopher from Berkeley, California, argues that because a computer cannot attach meaning to the symbols it manipulates (chess computers don't know how to play chess), the explanation of consciousness will have to be biological. The Oxford University mathematician Roger Penrose says the answer will come from some undiscovered law of physics to do with quantum gravity.

Aleksander thinks he has steered round these objections. He claims his is a computational solution which nevertheless preserves the reality of how human minds actually acquire, store and reorganise knowledge, or anything else. Though their world is smaller than a human being's, conscious machines can have a picture of themselves - they can even have free will.

The point of his 30 years' labour - and the labour of the 20 graduate students who are grooming Magnus at Imperial College - is not to build a humanoid, a

golem. In the short run, said Aleksander, it was to have a means of learning about such things as child development and mental disease.

In the long run it was to produce machines for industry (the group has industrial sponsors) which will be able to understand their users, "to put some understanding into these stupid things that you talk to when you ring up to try to get a train time". The professor continued: "In 2040 you will buy a non-conscious machine very cheaply to do word-processing but you'll buy a conscious machine to do other things."

People will never believe that a machine understands, I said.

"On the contrary, people are only too happy to believe it."

But the experts won't. "Forty years ago if you talked about a machine with memory you got a lot of flak. I think we have a cultural baggage of things we associate only with humans. When they start being associated with machines we have

great difficulty. It's up to the engineers to show something useful and interesting."

Igor Aleksander is proud to be called an engineer. He graduated in engineering with distinction at the University of Witwatersrand in Johannesburg and later worked for STC.

'It's a terrible trap to think that a thing is either conscious or it isn't. There is no proper definition'

He seems somehow to have benefited from a lack of formal education as a child. Born in Zagreb in the former Yugoslavia in 1937, he grew up in Italy where his migrating family found itself trapped by the second world war. Later, in South Africa,

he heard Professor Colin Cherry declare that engineers, who deal with complex systems, should be able to unravel that most complex of all systems, the human being.

"That's been at the back of my mind always," he said. "I decided I didn't want to spend my life designing amplifiers and radio stations, which was all that was available then because computers hadn't been invented."

He became involved with neural net computers, then an unfashionable line of research. In the 1960s and began to feel that something was missing. "They were only classifying images. There was no retention, no consciousness of past, present or future. So I started working on 'dynamic' neural nets which could suck in experience and represent it roughly the way it appears in our sensory machinery."

He has travelled through the long philosophical history of the mind-body problem since Descartes.

He has to digest abstruse

works from Kant's *Critique of Pure Reason* of 1781 to Thomas Nagel's 1974 essay *What Is It Like To Be A Bat?*

His own hypothesis - what he calls The Basic Guess - is that the personal sensations which lead to consciousness are due to the firing pattern of neurons. These patterns are transmitted to other, "state" neurons for the storage, labelling and recognition which give us our coherent sense of the external world.

This "iconic transfer", he says, is all there is. He claims it is a physical translation of what the philosopher Wittgenstein called the picture theory of meaning.

If Wittgenstein was one source of inspiration, the octopus was another. He chose it for the same reason that experimental psychologists choose rats: it is a creature primitive enough to be used as a model but sophisticated enough to suggest how higher creatures might function.

The octopus, he concluded, would need three kinds of inner neurons to survive:

autonomous neurons for moving its tentacles to roam about the sea bed; perceptual neurons to build up experience of the marine world; and auxiliary neurons to tell it how long a crab must lie still before it can be pronounced dead (and therefore unsafe to eat).

I accused him of defining consciousness in such a way

as to make his machine qualify for it.

"Maybe you're right," he laughed.

A thing is either conscious or it isn't.

"No. That's a terrible trap. Consciousness isn't something you either have or don't have. It is a vast list of things and it doesn't have a proper definition. Look in the dictionary."

Is John loving Mary just a neural net transaction?

"Yes. But having said that you would soon lose interest. What's important is that John loves Mary, not that a few neurons are firing. The debate is whether neurons can or cannot represent the sensations. I say they can. They are the firing pattern."

What about the machine's emotions?

"If it was asked 'Can you fall in love?' the machine would say 'Don't be silly - I'm just a machine.'"

So it's a simulation, but not a phoney?

"No. That suggests it doesn't have its own point of view. It's not a simulation of anybody's consciousness. It has developed its own which has its own characteristics and which are different from human ones but not so different as to be trivial."

Are you Magnus's mother or his psychiatrist?

"No. Magnus's instructor. I'm also designer in a way. So I'm Nature."

It's a strange relationship.

"It is strange. It's not the principles of the operation that are amazing but the way in which they develop. It makes you stand back in awe and wonder at how amazing the human brain actually is."

Are you conscious of Doctor Frankenstein's example?

"Well, I'm conscious of it but I would see it as a very superficial way of looking at things. I work long and hard at saying I'm not in there because I'm trying to create life. I'm in there because I'm trying to understand something which I'm told can't be understood."

And there's nothing an engineer hates more than being told that there is something he can't understand.



It should come as no surprise that Arnold Schwarzenegger, movie star and icon of the comic-book violence to which modern society seems addicted, has just been voted the most popular figure in London's Madame Tussaud's waxwork museum. The result stands in sharp contrast to the first poll in 1996, when those archetypal figures of the swinging sixties, Sir Winston Churchill and Sir Francis Chichester, the first man to sail round the world single-handed, topped the list.

The older poll provides a more puzzling result. One would think that Twiggy, the wafer-thin model, or the Beatles (more popular than Jesus?) would have been more plausible candidates. But 30 years ago, the waxwork-attending public clearly thought they should put frivolity to one side when answer-

ing such serious inquiries.

Britons may have secretly loved John and Paul, or Lulu and Marianne Faithfull; but when it came to the crunch, they preferred the quiet charms of two elderly symbols of national triumph. The country was still - just - more impressed by stolid statesmanship and earnest endeavour than pop culture brashness.

One should not overlook certain similarities between Sir Winston and Arnie, however. Both liked a good ruck, but carried their belligerence with some style. But Arnie had some crucial advantages in this year's voting: for one, he looks a little like a waxwork. The suspension of disbelief required when addressing his severe figure in the museum is thus minimal. It had to count for something. Winnie, on the other hand, had a war - a real war - under his belt. The beach-head bulldog was no character in a virtual reality game. His charisma was real.

But if Winnie represented the heroic element in humanity, Arnie shows a much closer alignment with modern times by embodying the post-heroic. Few in the western world still believe that heroism can be found in their statesmen; nor, even, in their movie stars. It is the price of politicians' cynicism, which has taken us all for a spin too far.

But Arnie presses all the right buttons for our battered sensibilities. He may act like a hero; but he also knows how to laugh at himself, how to deliver his crasser lines with a knowing smirk, just so that we know that he is not a terribly talented man.

The journey from Winnie to Arnie is the voyage from ingenious hero-worship to the ironic celebration of mediocrity. It sums up our changed attitude to celebrity, and it might just be a very healthy thing. Churchill, like that other inspirational figure John P. Kenn-

edy, had a darker, non-rational side which it might have been useful to know more about.

I was amused to see all these issues raised in the teasing work of Simon Patterson, an artist short-listed for this year's Turner Prize. Britain's much-trumpeted art award. In "The Great Bear", he has reproduced the famous map of the London Underground system, substituting the names of the stations with the names of characters from high and popular culture.

You can have hours of fun with this. My journey to work, for instance, starts with Saint Ursula and ends with the FT's local station, John Locke. A suitably serious trip. But take the short ride in central London from Oxford Circus to Tottenham Court Road, and you make the bracing bolt from Titian to Glna Lollbrigida.

In the far west of the city, Boris Yeltsin (South Ruislip) nestles comfortably with Raisa Gorbachev (Ruislip Gardens). And how life-

enhancing it is to think of King's Cross, as ugly a junction as any on the New York subway or the Paris Metro, as Piero della Francesca, and Paddington as Pythagoras.

I long ago stopped trying to understand what artists short-listed for the Turner Prize were trying to tell the world. But in this case, I think it is something like this: in the slick, fast-moving, globalised world, you can play around with icons in advertisements, magazine covers, movie theatres, and none ends up having this. My journey to work, for instance, starts with Saint Ursula and ends with the FT's local station, John Locke. A suitably serious trip. But take the short ride in central London from Oxford Circus to Tottenham Court Road, and you make the bracing bolt from Titian to Glna Lollbrigida.

In the far west of the city, Boris Yeltsin (South Ruislip) nestles comfortably with Raisa Gorbachev (Ruislip Gardens). And how life-

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Weekend Investor

Wall Street

Enthusiasm is notable by its absence

Tracy Corrigan finds that both bulls and bears are becoming schizophrenic

Pew! The third-quarter corporate earnings season in the US is drawing to a close without having delivered any dreadful blows to expectations – and, given the rather delicate state of market sentiment, a clutch of disappointing earnings could well have triggered a substantial sell-off in stock prices. Why, then, don't the markets seem a bit happier about it?

By the end of the week, the Dow Jones Industrial Average, which finally burst through 6,000 on October 14, had dipped back below that mark several times. Still, two weeks of earnings results, most of which exceeded rather than under-shot analysts' expectations, might have been expected to produce something a little more exciting.

In fact, the lack of enthusiasm seems rational enough. True, the earnings reported in the past two weeks have looked, on the whole, fairly good. More companies outperformed than disappointed, although that is largely because analysts had the foresight to lower many of their forecasts when it became clear that the slower growth of the economy in the second half of the year would make previous targets for earnings growth impossible to meet.

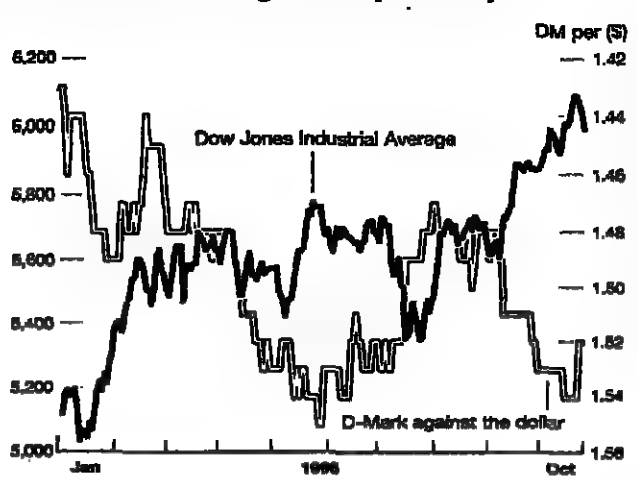
Moreover, the market had already moved up sharply in September in anticipation of decent earnings. And the break through 6,000 appears to have used up the last vestiges of enthusiasm that it felt able to muster for the time being.

Those disappointments which did occur hit stocks quite hard. "Statistically, negative surprises cost three times as much as positive ones," said David Schulman, a strategist at Solomon Brothers in New York.

Shares in Electronic Data Systems, the data management company, fell 20 per cent when it reported slowing sales, while Digital Equipment's stock price plummeted after the company reported a larger than expected loss. Even Microsoft's shares came under some pressure in spite of exceeding expectations.

In fact, the tendency for stock prices to slip despite better than expected results

Will dollar strength tempt Europeans?



is a further sign that the market is not comfortable with current valuation levels. Market sentiment is becoming increasingly hard to read, owing to the growing schizophrenia being exhibited by once reliable bulls and bears.

In the past month or so, several apparently adamant Wall Street bears have capitulated, worn down by the long wait for a real market correction, as they watched this year's steady advance. But even some bulls are now wondering where the impetus for the next rally is going to come from.

Some market enthusiasts alighted on foreign investors this week. Their evidence: some numbers from the Securities Industry Association showing increased foreign purchases of US securities, which reached \$70bn in the second quarter, the second highest level ever.

In particular, some analysts believe that European investors will be lured into the market by the healthy corporate profits and the strengthening of the US dollar.

Certainly, the inflow of foreign funds is a positive factor for the market, but its impact should not be overestimated. For one thing, investment in equities accounted for only \$7bn of the total inflow, the bulk of which went into the US Treasury market. Moreover, the higher level partly reflects participation in initial public offerings, which could trail off.

More fundamentally, European investors who have

missed the rally may just decide it is too late to make a big commitment at this point. One cannot help suspecting that optimists are looking for some "wall of money" to buttress markets as data suggest that flows into US equity mutual funds are continuing to slow.

Still, the US mutual fund inflow in September was estimated at \$16bn. Even the latest reported monthly rate of just over \$13bn suggests a quarterly inflow of \$40bn, which dwarfs the impact of foreign funds.

The new issue for many investors is the impact of a possible Democratic sweep of the polls in next month's elections. President Clinton's return to office has long been viewed as a foregone conclusion by investors, but they are only just beginning to look seriously at the possibility that the Democrats will take control of both houses of Congress.

The question, of course, is whether this might be bad for equities, perhaps because of tighter regulation or more public spending. But the Clinton administration has a strong record on deficit reduction.

As one analyst pointed out: "President Clinton has been one of those rare politicians who actually tightened fiscal policy in his first term of office."

Dow Jones Ind Average		
Monday	6080.87	-3.35
Tuesday	6061.80	-29.07
Wednesday	6036.46	-25.34
Thursday	5992.48	-43.98
Friday		

London

Little things that mean a lot

Philip Coggan on a week of changing fortunes

It is very hard to spot the turning points in equity markets. As the cliché goes, no one rings a bell at the top or the bottom. This week, though, it was possible to discern a faint chime.

Soothsayers have been fooled before. In July, shares took a turn for the worse and it was tempting to feel that the bull market, which has run for such a long time in the US, might be over. But when the Federal Reserve failed to raise interest rates in either August or September, markets rallied with relief and hit repeated all-time highs in the US, UK and much of continental Europe.

Indeed, last week, this column suggested things were going so well that something was almost bound to go wrong. But it was a series of little upsets, rather than one big event, that conspired to undermine the market this week.

Omar Issing, the Bundesbank chief economist, said that German interest rates had fallen as far as they were likely to go. That depressed European markets.

In the US, Wall Street's long rally appeared to run out of steam. The fall was not dramatic, and attempts to call the top of the US equity market have frequently been proved wrong. But, given the nervousness of many UK investors about Wall Street, the decline did not help sentiment.

A couple of stories which knocked the gilt market on Thursday – one concerning a European court ruling against the government on VAT, another concerning rumours of unusual buying patterns at a gilt auction – added to the pressures on equities. By the close on Thursday, the FTSE 100 index had dropped back below the 4,000 level it conquered earlier this month.

The decline to date is fairly trivial compared with the gains made so far this year. But there were signs this week in the derivative market that institutions might be "locking in" some of their profits by buying put options (giving them the right to sell the index at a set price).

Richard Jeffrey, the Charterhouse group economist who predicted Footsie would hit 4,000 this year, says the market looks quite fully valued at these levels and that, given investor nervousness about the US, institutions do not see much upside.

He also notes the market's lack of volatility in the past couple of years. "The standard deviation of weekly and monthly returns has been very low," Jeffrey says. "That may reflect high institutional liquidity and a more stable economy. But the fear could also be that we are overdue for a short,



No one rings a bell at the top of the market

British Tourist Authority

sharp shock." Another bull, Robin Griffiths, chief technical analyst at HSBC James Capel, is also looking for a short-term retreat.

"The UK started the third leg of a bull market in July, a move which will eventually take Footsie up to around 4,400 by the general election," he says. "But markets move in a two steps forward, one step back pattern and Footsie could easily fall back to 3,840 in the next few weeks."

There was plenty of news on the corporate front to keep the traders happy this week. The most dramatic was probably yesterday's blocking by Ian Lang, the trade and industry secretary, of the bids by Severn Trent and Wessex Water for South West Water.

The market had expected Lang to approve the deals and there was a stampede to sell South West shares. This resulted in spells of "backwardation" – when, in theory, the buy price in the market is higher than the sell – and the shares slumped 18.5 per cent.

Another company which was the centre of market attention was BSkyB, the satellite television group. On Monday, it was rumoured that BSkyB was about to bid with a partner for Pearson, the media group which owns the Financial Times.

That story was soon denied. But then BSkyB was hit by the news of the creation of Cable & Wireless, Communications, an amalgam of Mercury Communications and the UK cable interests of Bell Canada, Nynex

and Videotron. Not only will the group provide enhanced competition for British Telecom but it could prove a strong negotiator with BSkyB in the television business.

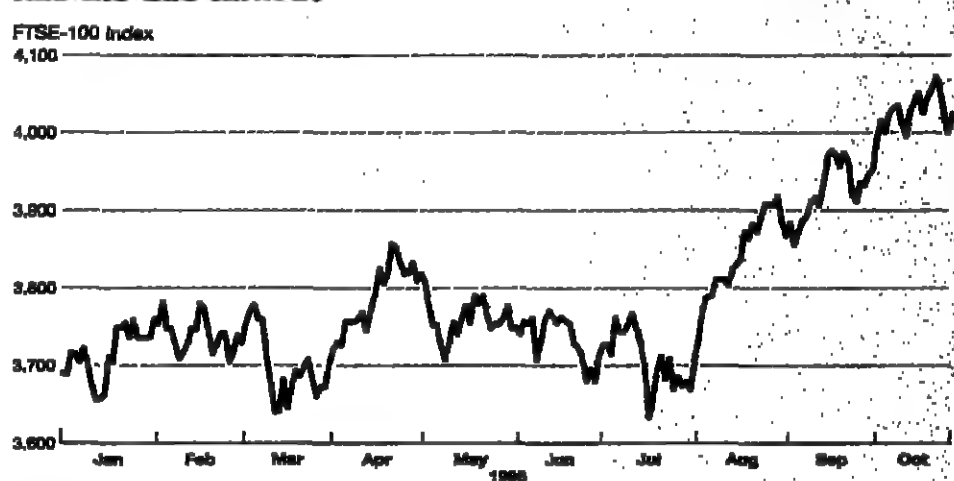
On Wednesday, reports emerged of an issue of special preference shares by News Corporation, Rupert Murdoch's media empire, which will be exchangeable into BSkyB stock. But the market reasoned: if he is willing to sell, why should we buy? The shares fell again.

There was also an offer ruling against a joint BT/BSkyB promotion, and the EU's promise to scrutinise the company's deal with Premier League football. If Sky News had a business channel, it could have devoted the entire week's programming to its parent company.

By the end of the week, bid speculation had returned to liven up the market. Speculation centred on the regional electricity sector, and East Midlands, in particular; a bid approach for restaurant group My Kinda Town; and speculation about further consolidation in the television industry when United News & Media picked up a 30 per cent stake in HTV yesterday.

All that allowed Footsie to recover the 4,000 level and end the week at 4,022.4. But the rebound was not broad-based – the SmallCap index fell yesterday, as it did every day this week. Something in the air has changed.

Has the tide turned?



Highlights of the week

	Price y/day	Change on week	52 week High	52 week Low	
FTSE 100 Index	4022.4	-30.7	4073.1	3497.9	Dow dips below 6,000
BAA	828 1/2	+13 1/2	858	447	Confirmation of pricing formula
Bank of Scotland	283	+9	316	227 1/2	General investment demand
British Gas	165	+5	267 1/2	171 1/2	Recovery
BSkyB	563	-98	597	359	Competition worries, bond issue
Cable & Wireless	476	+39 1/2	554	597	Deal with cable companies
National Grid	178 1/2	+7 1/2	214 1/2	164 1/2	Accepts transmission price review
Pearson	732 1/2	+36	750	594	Break up talk
Rentokil Initial	419	-14 1/2	447	308	NetWest Securities downgrade rec
Severn Trent	605 1/2	+13 1/2	689	518	DTI blocks bid for SWW
South West Water	575	-97 1/2	731	488	Bid blocked by DTI
Standard Chartered	676 1/2	-5	729 1/2	495	Broker downgrades
Wessex Water	342 1/2	+25	374	295	DTI blocks bid for SWW
Zeneca	1739	+14	1783 1/2	1171	Renewed bid speculation

Barry Riley

All work and no pension

What happens if the social security cash runs out?



The US social security system began to veer off track more or less from the moment a certain Ida Mae Fuller became the first recipient of a regular retirement cheque in January 1940. She continued to collect until she was 100, which was not exactly what the actuary had projected.

While hers was an extreme case, rising longevity has plagued social security systems in the US and most other countries. These pay-as-you-go systems have a fatal flaw in that they are linked to a fixed retirement age rather than to actual life expectancy.

When the first such social insurance scheme was introduced by Bismarck in Germany in the 1890s, the prospect of even surviving until retirement age was no more than a minor risk which could be covered by a trivial levy on workers. Even as recently as 1950, there were 16 American workers for each retired person. In 1996, there are just three. In 2030, there will be only two.

As a result, social security taxes in the US have climbed from 2 per cent of pay in 1937 to 12.4 per cent today (plus another 2.9 per cent for Medicare). There is a temporary cash flow surplus but, on present calculations, the system will

turn cash-negative in 2013. By 2030, the accumulated trust funds (invested in government bonds) will have become exhausted.

Already, contributions have been increased, retirement ages stretched and extra taxes imposed on benefits. Further renegeing on promises is inevitable.

Such scary calculations have prompted the proposal of a privatised and funded alternative in a new book* by two senior executives of State Street Bank, Marshall Carter and William Shipman have proposed that Americans should have the option to divert their social security contributions into personal social security accounts, to be invested individually in stocks and bonds.

In Europe, many countries have social security systems that are in far worse shape even than America's. For a start, over-65s represent around 15 or 16 per cent of the national populations compared with 13 per cent in the US.

There are the twin challenges of moral hazard and fraud, the former relating to the way that people alter their lifestyle in order to qualify for benefits (retiring early, for example) and the latter to straightforward cheating, notably by escaping into the

black economy to evade ever-rising social insurance taxes.

In the end, there is Italy, where there are now 21m pensions being paid but only 20m officially declared workers. Demographic realities have to be recognised ultimately: when the Italian social security

Social security taxes in the US have risen from 2% of pay in 1937 to 12.4% today

system last underwent major reforms in 1968, there were two births for every death. Now, the ratio is one to one and the actuarial consequences are horrific. Combined contribution rates have now reached 33 per cent of gross pay.

In the US, the question is whether the politicians really will be persuaded to worry very much about what might happen in 30 years.

But the crucial factor there could turn out to be the inter-generational jealousies, with the baby boom generation (76m Americans were born between 1946 and 1964,

compared with just 66m in the next 19 years) threatening to scoop the social security pool.

US social security increasingly is being likened to a fraudulent Ponzi scheme in which early investors are paid back with the contributions of new members – until the money runs out. Younger citizens are certain to suffer from partial default. They are likely to become increasingly cynical about the pay-as-you-go system.

But would an investment-based approach genuinely offer more security? This is the weak area of the Carter-Shipman book. It is hard to imagine that their plan could have been proposed, for instance, in the immediate wake of the high inflation and poor market returns of the 1970s.

Their projections are based on 10 per cent investment returns, which look modest enough in the light of recent experience but which cannot be taken for granted. The worst 20-year period on Wall Street this century gave only a 3 per cent average annual return.

How exactly would a technical shift in the structure of pensions, from recycling to funding, compensate for a fundamental shift in the demographic balance

between young and old? Perhaps higher levels of saving would accelerate the economic growth rate but, first, you would have to show that the US economy (as opposed to that of, say, Chile, which has privatised pensions successfully) was somehow short of capital for profitable investment.

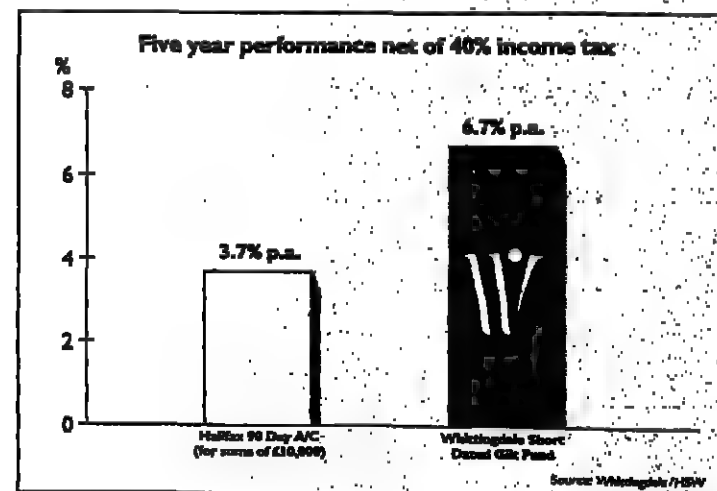
Alternatively, the value in the new personal retirement funds could be created by a rise in the share of profits (and dividends) in the economy. But that surely would be at the expense of pay levels – and remember that the downwards trend in real average incomes has become a political issue in the US already.

Funding is a good idea in principle. But the money has to be channelled into real wealth creation (not just into the funding of government deficits, for instance) and must be secure against future profit controls and dividend taxes.

Otherwise, future pensioners will discover their individual funded pension plans to be as disappointing as the unfunded social security promises made to them.

*Promises to Keep: Saving Social Security's Dream, by Marshall N. Carter and William G. Shipman. Regnery Publishing, Washington. \$24.95.

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Offshore managed funds and UK managed funds are listed in Section One

الرياض ١٤١٨

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (44 171) 873 4378 for more details.

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Money Market Bank Accounts

Allied Trust Bank Ltd			
25 Doughty Hill, London, EC4A 3AT			0171-552 0
MECAASCLAHISA	3.50	2.85	3.56
NICA	4.00	3.25	4.77
NICA 5000 (22.07-24.08)	4.00	3.25	4.77
	4.00	4.00	5.12

TOMINA	3.25	4.90	5.80	TO
TREMINA	3.65	4.52	5.80	TO
FOINNA	5.70	4.50	5.85	TO
SINNA (12,000-19,999)	5.40	4.84	5.90	TO
SINNA (20,000-29,999)	5.90	4.72	6.05	TO
SINNA (30,000+)	6.00	4.80	6.17	TO
PREMIER TESSA	8.75	5.42	7.00	TO
Plastic, Tress	5.85	4.68	6.00	TO

American Express Bank Ltd		01272 000	
Sutton House, Burgess Hill BN15 9AQ			
High Performance Charge Account			
£500-£999.99	1.00	0.75	1.00
£1,000-£4,999.99	3.50	2.00	1.99
£5,000-£9,999.99	3.75	2.81	3.02
£10,000-£99,999.99			4.02

Bank of Ireland High Interest Cheque Acc	4.75	1.00	4.00
38 Oregon St., London-EC4A 3TB			0171 634 37
£2,000-£9,999	2.50	1.00	2.75
£10,000 +	2.50	2.00	2.75

100 Debit	124.99	3.25	2.60	3.30
125.00-249.99		4.00	3.20	4.07
250.00-499.99		4.25	3.40	4.33
500.00+		9.25	4.24	5.38

Bank of Scotland

£25,000-£29,999	3.50	2.80	3.50
£30,000-£34,999	3.60	2.80	3.60
£35,000-£39,999	4.25	3.40	4.25
£40,000+	5.25	4.25	5.25

Brown Shipley & Co Ltd
 Promoters Court, Lombard, London EC2
 0171 600 7111

£25,000-£70,000 1 Min Days	5.362	4.430	5.708
£700,000 + 1 Min Days	5.822	4.808	5.773
£700,000 + 3 Min Days	5.825	4.900	5.748

Callers Allen Ltd
20 Brixton Lane, London SE23 2LJ

0171-023 20

Preferred Stock	5.13	5.13	5.13
Overage \$20,000+	4.94	5.06	5.06

Chatterbox Bank Limited
 1 Patterson Row, Boston 701
 (617) 551-2199
 \$20,000-\$40,000 4.00 3.25 4.57
 \$40,000-\$60,000 4.25 3.40 4.33

\$5,000-\$9,999	3.00	2.80	3.25
\$10,000-\$24,999	4.00	3.50	4.07
\$25,000-\$49,999	4.50	3.40	4.37
\$50,000+	4.50	3.00	4.50

Many other companies are available - in most places
 telephone 2796

\$10,000-£40,999	2.50	3.00	2.50
\$50,000-£249,999	2.75	3.25	2.75
\$250,000 and over	3.75	3.50	3.00

The Co-operative Bank

Polkadot - Hard Fork Deposit Amount			
All Datasets	4.7%	3.9%	4.5%
Blockchain Deposit - Initial Access			
\$250,000+	3.0%	3.1%	3.1%
\$50,000-\$249,999	3.1%	2.5%	3.1%
\$10,000-\$49,999	2.6%	2.7%	2.7%
\$500-\$9,999	2.1%	1.8%	2.1%

Salary Range	Number of Employees	Percentage of Total	Year
\$100,000 - \$150,000	100	4.00	Year
\$150,000 - \$200,000	100	4.00	Year
\$200,000 - \$250,000	100	4.00	Year
\$250,000 - \$300,000	100	4.00	Year
\$300,000 - \$350,000	100	4.00	Year
\$350,000 - \$400,000	100	4.00	Year
\$400,000 - \$450,000	100	4.00	Year
\$450,000 - \$500,000	100	4.00	Year
\$500,000 - \$550,000	100	4.00	Year
\$550,000 - \$600,000	100	4.00	Year
\$600,000 - \$650,000	100	4.00	Year
\$650,000 - \$700,000	100	4.00	Year
\$700,000 - \$750,000	100	4.00	Year
\$750,000 - \$800,000	100	4.00	Year
\$800,000 - \$850,000	100	4.00	Year
\$850,000 - \$900,000	100	4.00	Year
\$900,000 - \$950,000	100	4.00	Year
\$950,000 - \$1,000,000	100	4.00	Year

4-48 Street, London W20N 6DB 0171-703 10
 Grants Companies Account for clients money 0171-623 10
 18 Lombard Street, London EC3N 4AB 0171-623 10
 Rates negotiable up to 5.5%
 (The Home Etc / Etc / Insurance The Etc Ltd)

Fixed Account			
\$20,000+	5.80	4.4	5.81
\$10,001-\$20,000	4.75	3.8	4.84
\$2,500-\$10,000	4.55	3.4	4.52
Savings Account	3.25	2.8	3.29

Priority Money Market Account

F1-9999	1,000	3,800	1,000
F1,000-F9,999	4,000	3,200	4,000
F10,000-F24,999	4,500	3,800	4,577
F25,000-F39,999	6,000	4,000	5,000
F40,000+	3,200	4,100	3,300

Cash, 90%+ Money Market Rating on request

Trinity Road, Halifax FCU 2001		17402 2000	
Index for personal customers			
250,000 and above	4.65	3.79	4.75
225,000 to £49,999	4.35	3.48	4.42
£20,000 to £24,999	4.00	3.20	4.09
£5,000 to £19,999	3.50	2.84	3.34

\$25,000 to \$29,999	3.50	2.80	2.50	0
\$30,000 to \$34,999	3.75	2.95	2.75	0
\$35,000 to \$39,999	4.00	3.20	3.00	0
\$40,000 to \$44,999	4.25	3.45	3.25	0
\$45,000 to \$49,999	4.50	3.70	3.50	0
\$50,000 to \$54,999	4.75	3.95	3.75	0
\$55,000 to \$59,999	5.00	4.20	4.00	0
\$60,000 to \$64,999	5.25	4.45	4.25	0
\$65,000 to \$69,999	5.50	4.70	4.50	0
\$70,000 to \$74,999	5.75	4.95	4.75	0
\$75,000 to \$79,999	6.00	5.20	5.00	0
\$80,000 to \$84,999	6.25	5.45	5.25	0
\$85,000 to \$89,999	6.50	5.70	5.50	0
\$90,000 to \$94,999	6.75	5.95	5.75	0
\$95,000 to \$99,999	7.00	6.20	6.00	0
\$100,000 and over	7.25	6.45	6.25	0

Joel Hodge Bank Ltd
 20 Wacker Place, Suite 201, St. Paul, MN 55102
 612/222-2200

(Aspold Joseph & Saxe Limited			
28 Grafton Street, London EC5V 7ER		0171 928 2222	
Treasury High Interest Chicago Account			
£22,001-£100,000	5.00	4.50	5.5045
£100,001 plus	5.25	4.20	5.5844

(in Order of Network System Investing Managers Ltd)
 PO Box 2300, Scarborough, WY1 5BN 07202 52340
 H.I.C.A. (£2,500+) 5.00 4.87 5.12 0000
 Midland Bank plc
 PO Box 2, Sheffield S1 2BP 0171 706 843

\$20,000+	5.00	3.75	5.00	Year
\$30,000+	5.25	3.88	5.25	Year
TESSA	6.75	5.00	6.75	Year

Nationwide High Soc. - Business Investor
 Excellent High Interest Cheque Account
 From High Definition L. Since 1988

\$10,000-\$24,999	3.50	2.40	2.53	UN
\$25,000-\$49,999	3.50	2.80	3.53	UN
\$50,000-\$99,999	3.80	3.04	3.85	UN
\$100,000+	4.20	3.38	4.27	UN

Fortman Building Society Prestige Chq Acc
 Richmond Hill, Bournemouth, BH2 6EP
 0300 853600

£25,000-£28,999	3.50	2.80	3.50	Year
£10,000-£19,999	3.00	2.40	3.00	Year
£2,500-£9,999	2.00	1.80	2.00	Year

Royal Bank of Scotland plc
 Corporate Money Market Account
 c/o St Andrew Square, Edinburgh EH2 2TE

£100,000-£249,999	4.50	3.20	4.00
£250,000-£499,999	4.57	3.00	4.05
£500,000-£1,999,999	5.30	4.9	3.47
£2,000,000-£5,000,000	6.45	4.36	3.65

Royal Bank of Scotland plc Premiums Acc
 42 St Andrew St, Edinburgh EH2 2YE 0131-925 8300
 £50,000+

\$3,000 - \$3,999	2.50	2.10	2.92
\$4,000 - \$4,999	2.60	1.60	2.62
\$5,000 - \$9,999	0.75	0.60	0.76
Under \$2,000			

Saves & Prosper/Robert Fleming
 19-22 Windsor Rd., Rosford Rd. & S.
 Chase Accounts 6.17 5.00 6.20

Premier Acc £10,000+	5.50	-	5.50	Year
Investment Accs £25,000+	4.77	3.25	4.25	Day
	5.00	4.00	5.00	Day

J. Henry Schroder & Co Ltd Special Account
 730 Chancery, London EC4V 6DS 0171-382 330

£2,000-£9,999	4.50	3.75	4.25	Min
£10,000 and above	4.50	3.00	4.50	Min

United Dominions Trust Ltd
PO Box 82, Herts, ENA 6DY
Capital Plus Cheques Account
£3,000+ 5.10 4.08 5.20 06
United Trust Bank Ltd
1 Great North Street, Herts

7.00000—180 day notes 7.00 5.80 3.40 2.40
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● NOTES
 Gross: Contractual rate of interest payable, not
 taking account of the deduction of basic rate
 income tax.
 Net: Rate of interest payable net of basic rate

and/or Gross rate annualised to take account of compounding of interest paid other than once a year, 'Compounded Annual Rate', list the Frequency at which interest is credited to the account.

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FT MANAGED FUNDS SERVICE

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5 MANAGED FUNDS NOTES

Private ends are private utility alternatives designed to meet the needs of investors who are interested in the utility industry. Yields are shown for all trading securities.

Prices of certain other investments listed below subject to special prices on all trading securities.

Prices of certain other investments listed below subject to special prices on all trading securities. The regulatory authority is the Federal Energy Regulatory Commission.

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The fund prices published in this edition are subject to change without notice. For more information, contact the Financial Trends section, *Investment*, 77-78.

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Dow claws back above 6,000 mark

AMERICAS

The Dow Jones Industrial Average recovered some of its recent losses as prices touched a level which tempted some buyers back into the market, writes Richard Waters.

With Treasury bond prices also gaining ground, the index of leading stocks rose back above 6,000 by midday. The Dow had lost nearly 100 points over the previous four days, bringing an end to the early autumn rally. Yesterday morning's gain of 10.44 left it at 6,002.32.

The broader S & P 500 index, meanwhile, was 0.28 lower at 702.01, while the Nasdaq composite was trading at 1,236.32, a fall of 0.68.

Among Dow constituents, Minnesota Mining and Manufacturing rose 0.1%, or 2.3 per cent, to a new record high of \$72 on strong third-quarter earnings. Another company to report earnings yesterday, the insurance giant Aetna saw its stock climb by 0.7%, or 4.6 per cent, to \$27.

The Dow's rise was helped by strength among oil stocks. Chevron rose 1/4% to \$67, Exxon rose 1/4% to \$68, and Texaco was trading 1/4% higher at \$102.

Earnings releases from Thursday also dominated early trading. Lucent Technologies, the telecommunications equipment maker spun off by AT&T this summer, fell 1/4% to \$49 on profit-taking after a strong third-quarter earnings report. The shares remain nearly a third above their level of two months ago.

S Africa stays gloomy

Shares in Johannesburg had another negative session following continued weakness for the rand and bonds. The overall index closed off 31.2 at 6,965.2. Industrials were 15.1 lower at 8,258.9 and

Gateway 2000, a computer maker which released results after the market closed on Thursday, lost \$4.1, or 7.5 per cent, to \$50.8. Chubb, another insurance company, soared by 11.5 per cent to \$54 as the company revealed that it was considering selling its underperforming life insurance and real estate development businesses in order to focus on its core property/casualty insurance operations.

TORONTO moved lower with the 300 composite index off 7.06 at 5,551.80 at noon. Industrial products caused most of the damage in a mixed morning session.

The sub-sector dipped by 0.61 per cent. On the upside, pipelines gained 0.59 per cent.

Among individual blue-chips, Alcan came off 40 cents to C\$44.35 and Seagram fell 45 cents to C\$48.65. Northern Telecom stayed very flat. The shares fell C\$1.80 to C\$83.00 for a two-day decline of almost 5 per cent.

Royal Bank of Canada and Toronto-Dominion Bank both hardened 10 cents, improving to C\$42.90 and C\$31.10 respectively.

MEXICO CITY came off sharply at the opening following speculative selling of the peso. At mid-session the IPC general index was off 42.08 at 3,337.13.

SAO PAULO was 346 lower at 65,542 at mid-session in terms of the Bovespa index, and CARACAS was also weaker. By the close of morning trade the IBC index was down 15.77 at 5,980.94.

Power 'jamboree' takes Spain to new high

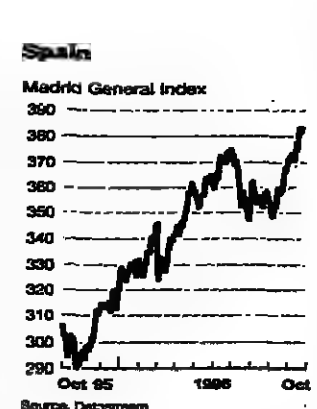
Endesa bids were the initial stimulus, but strong banking results helped, writes David White

Spanish stocks had a party all on their own this week. Quite independently of what was happening on other exchanges, share prices moved - with some hesitations - into record territory. On Thursday, the Madrid General Index hit an all-time high of 383.41, almost 30 per cent up on the 320.17 level with which it saw out 1995.

"The way the market is right now, nobody wants to be out of it," says Ms Monica Morales, a senior broker at Societe Generale in Madrid.

The immediate stimulus was the announcement late last week of bids by Endesa, the state majority-owned electricity generator, for Ptas200bn (\$1.56bn) worth of shares in two other large utilities, Sevillana and Fecsa, increasing its stake in each of them to 75 per cent.

The upshot was what Ms Morales describes as "a jamboree", led by expectations of further movement in the power sector. "I can't remember this kind of thing happening before."



Source: Datastream

Amid the euphoria, trading in the shares of five electricity companies was temporarily suspended early in the week.

Apart from Sevillana and Fecsa, there were two other northern Spanish companies controlled by Endesa, Electrica de Viesgo and Salos del Nansa, which were also to be destined for sale. The other suspension was Hidrocarburos, which was supposed to be interested in

buying the northern pair. The CNMV securities commission, which took control stick over the quality of its reflexes, approved the Endesa bids, but ordered an inquiry into the circumstances.

The impetus given by the surge in utility stocks was backed up by strong nine-month bank results, with both Banco Bilbao Vizcaya and Banco Central Hispano - the latter having been the object of some suspicion on the market - reporting profit increases of over 20 per cent.

The Spanish market has got over a slack summer. Prices climbed after the centre-right's narrow general election victory in March, breaking a record which had stood for more than two years.

But trading volume in the summer was low, and the government unnered the market in July by levying taxes on oil and tobacco. This hit the prospects of Tabacalera, the 52 per cent state-owned cigarette company, which had

been a star performer early in the year and was high on the privatisation list.

Sentiment has improved following the presentation of the government's 1997 budget - with enough support from regional parties to guarantee its passage - and more especially from the half-point interest rate reduction with which the Bank of Spain greeted the event.

At the same time, analysts see encouraging signs that the promised pick-up in economic activity, which flagged in the first two quarters, is finally materialising. "In two months, it's not bad," says Mr Juan Bastos of the Madrid brokerage, Ibersecurities, recalling that the index was hovering around 350 in August. Operators, however, see relatively modest gains in the remainder of 1996, doubting if the index will move past 400.

The recent trend has been supported by strong interest in Telefonica, in which the government is set to sell its remaining 21 per cent stake

next year. The share has been trading at about 80 per cent above the Ptas1,615 which retail investors paid in the last privatisation, just a year ago.

The emphasis on a small number of familiar stocks - telecommunications, banks, utilities, oil companies - shows up the narrow range which continues to be a feature of the Spanish market. But the recent surge has raised hopes that more companies will seek listings.

New blood has arrived this year with the global offering of 40 per cent of the Sol Melia hotel group, totalling \$275m, and the forthcoming flotation of 40 per cent of a home-delivery food company, Telepizza - possibly heralding moves by other family-controlled ventures.

However, the market's attention is now room for Ptas1,000bn. Mr Enrique Marañuela, head of research at brokers Aborro Corporación, said: "With such low interest rates, there's no problem."

A warm-up act is expected next month with the government's remaining 3.8 per cent stake in Gas Natural destined for institutional investors. Telefonica is expected to be the first big offering, followed shortly afterwards by Repsol, in which 10 per cent remains to be sold and, after the summer, by a first slice of the state's 67 per cent holding in Endesa.

Together with the remaining 25 per cent government stake in banking group Argentaria - the other one of the "big four" privatisation candidates - these would amount to some Ptas1,200bn at current prices.

Opinion has been shifting about the domestic market's capacity to absorb these issues. Until recently, received wisdom was that it might take around Ptas500bn a year, but analysts now see room for Ptas1,000bn. Mr Enrique Marañuela, head of research at brokers Aborro Corporación, said: "With such low interest rates, there's no problem."

Bourses rise as Bundesbank signals conflict

EUROPE

DM758m, as the pref shares recovered a fraction more, DM1.40 higher at DM213.40.

However, the apparent leading rate prospects were good for the big financials, Deutsche Bank, Munich, Allianz and Dresdner - which turn over more than DM1.9bn in aggregate - with Allianz shares DM26 higher at DM2.75.

Some observers argued that it was US data, a recovery in US bonds and a rise on Wall Street which improved matters for senior bourses in the afternoon.

After hours, Mr Hans Tietmeyer, the Bundesbank president, offered them a chance to move this point on Monday, saying in an interview to be broadcast on German radio that he saw no need for further interest rate cuts in the foreseeable future.

Turnover rose from DM95bn to DM95.5bn. SAP's contribution subsided further, from DM1.9bn to

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LONDON STOCK EXCHANGE - DEALINGS

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission. The data is now delivered by Easdaq, part of Financial Times Information.

Details relate to those securities not included in the FT Share Information Services.

The prices are those at which the business was done in the 24 hours up to 5.15pm on Thursday, they are not an order of execution but in ascending order which denotes the day's highest and lowest trades.

For those securities at which no business was recorded in Thursday's Official List, the latest recorded business in the four previous days is given with the relevant date.

Bargains at special prices. * Bargains done the previous day.

British Funds, etc

Investment Co PLC 100% (100%)
 Treasury 10% 2000 - 100% (100%)
 Exchange 10% 2000 - 100% (100%)
 Conversion 10% 2000 - 100% (100%)
 Exchange 10% 2000 - 100% (100%)
 Conversion 10% 2000 - 100% (100%)

Corporation and County Stocks

Dudley Metropolitan Borough Council 7% 1996 - 100% (100%)
 Exchange 10% 2000 - 100% (100%)
 Conversion 10% 2000 - 100% (100%)
 Exchange 10% 2000 - 100% (100%)
 Conversion 10% 2000 - 100% (100%)

UK Public Bonds

City of London 10% 2000 - 100% (100%)
 Exchange 10% 2000 - 100% (100%)
 Conversion 10% 2000 - 100% (100%)
 Exchange 10% 2000 - 100% (100%)
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Foreign Stocks, Bonds etc

London Stock Exchange 10% 2000 - 100% (100%)
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 Conversion 10% 2000 - 100% (100%)
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Debt Issuance Programmes

British & European Building Society 10% 2000 - 100% (100%)
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Sterling Issues by Overseas Borrowers

European Investment Bank 10% 2000 - 100% (100%)
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Listed Companies (excluding Investment Trusts)

Alloy Metals PLC 10% 2000 - 100% (100%)
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 World Wide Fund For Nature
 (Formerly World Wildlife Fund)
 International Secretariat, 116 Grosvenor Street, London W1C 2PQ, UK
 Tel: 0171 448 1810, Fax: 0171 448 1834, Email: info@wwf.org.uk

PAUL MEAKINS on 0171 873 3580

KARL LOYNTON on 0171 873 4800

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per Distribution	104 1/2	110

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7. Personal Assets: _____

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Not meant values supplied by NatWest Securities Ltd on a confidential basis. See inside for London Share Service

[illegible]

Henderson, Caroline

Hong Kong	58	47	100
Zoro Div Prod	58	47	100
RSC Container Inc	58	47	100
Zoro Div Prod	58	47	100
INVESTCO Blue Chip	58	47	100
Zoro Pl	58	47	100

Rockwell**FOOD PRODUCERS - Cont.**[illegible]

As a shareholder, you have the right to elect directors to the Board of Directors. The Board of Directors is responsible for the overall management and control of the Company. The Board of Directors is also responsible for the appointment and removal of the Company's officers and the Company's management.

[illegible]

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1221	1221	1221
812	812	812

[illegible]

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Risk Factors

- S&P Rating
- Bond Interest Rates
- Standard Deviation
- Dollar Denominated
- Foreign-Currency

GUIDE TO THE TABLES

Prices for the LEAPs are shown as percentages of the underlying stock price.

Financial Times & Stock Exchange

Company classification
Acquiescence Share Index

Closing mid-price
Highs and lows at close

Where stocks are listed
this is indicated by a star

Symbolic reference
daily as a guide
covers are published

Market capitalization
stock quoted

Earnings used in calculation

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f Dividend yield
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dividend
g Indicated dividend
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i Forecast, or estimate
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2 Dividend year includes a special payment

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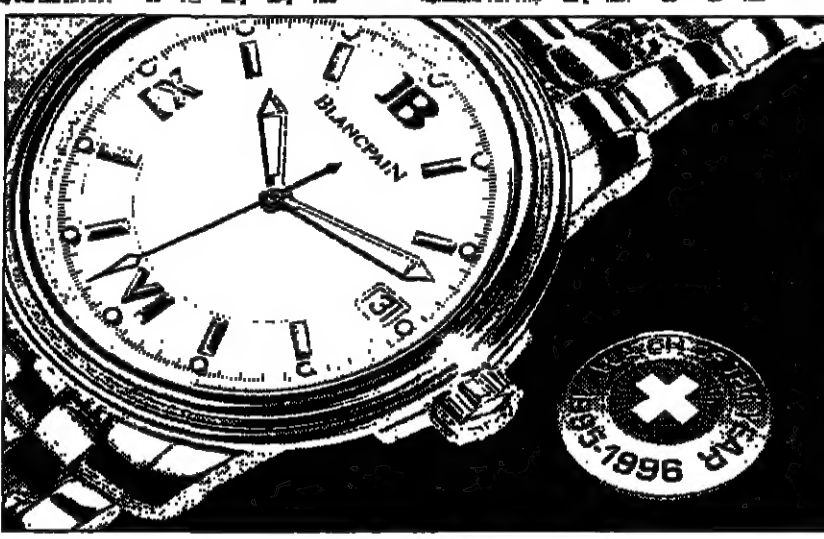
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Canada and Cuba to boost ties in defiance of US sanctions

By Pascal Fletcher in Havana and Bernard Simon in Toronto

Mr Carlos Lage, Cuba's vice-president, begins a four-day visit to Canada tomorrow in a move which stresses Ottawa's defiance of US trade and investment sanctions against President Fidel Castro's government.

The Canadians have been critical of the US Helms-Burton law which seeks to penalise companies from third countries doing business in Cuba.

On Monday European Union foreign ministers will discuss how to retaliate against the law in the face of Danish opposition to the proposed counter-

measures. Mr Lage's visit, which will cement growing commercial links between Canada and Cuba, will be the highest official contact between the two countries since Mr Pierre Trudeau, former Canadian prime minister, visited Havana in 1976.

Mr Lage, a close aide to Mr Castro, is most closely associated with the island's opening to foreign investment and its adoption of economic reforms.

He is expected to urge Canadian banks to extend credits to Cuban suppliers to Cuba, some of which had been halted because of the Helms-Burton law.

Ottawa has countered

Helms-Burton with laws that would allow Canadian companies to retaliate against US court orders enforcing sanctions against the Castro regime.

Canada has also supported an initiative by the EU to take the issue to the World Trade Organisation.

Denmark plans to veto EU counter-measures against the US because the measures - which require unanimous approval by the 15 EU member states - compromise Danish sovereignty. At Monday's meeting, ministers will examine alternative joint action.

Mr Lage's itinerary in Canada includes the Bank of Can-

ada, the Department of Revenue, the Toronto Stock Exchange, and meetings with senior private-sector bankers.

Mr Lage is expected to tell the Canadians that Cuba desperately needs medium- and long-term credits to alleviate its difficult financial position.

His appeal will carry added urgency after the blow dealt to Cuba's economic prospects by Hurricane Lili, which caused widespread damage earlier this month.

Cuba faces a balance of payments squeeze caused by falling prices for sugar and nickel, its main exports, and rising costs of essential imports such as food and oil.

Pet City collared as US chain grows

By Peggy Hollinger

Fancy a rhinestone collar for Rover or a gourmet meal for Moggie? Pet owners around Europe will soon be able to shop till they drop at superstore outlets to be rolled out by Pet City, the US chain, which yesterday announced a \$143m merger with Pet City Holdings of the UK.

Pet City is the latest category chain to come out of the US, where it has sales of some \$1bn a year. Its 35,000 sq ft superstores, with pet clinics, full-time veterinary surgeons, grooming parlours and pho-

tography studios, have expanded rapidly in the US and now intend to do the same in Europe.

The merger with the loss-making Pet City, to create what the group claimed would be the world's largest pet product retailer, is just a first step, said Mr Mark Hansen, 41, Pet City's president.

The company, which is quoted on Nasdaq, the over-the-counter US market, is offering 3,214 shares for each 10,000 Pet City shares, valuing the UK group at \$143m, and 565p per share, against yesterday's market close of 560p. Pet

City Holdings last year had losses of £1m on sales of \$54.4m.

The deal will create two millionaires: Mr Giles Clarke, who remains as chief executive of Pet City and head of the European operation, and Mr Richard Northcott, Pet City chairman, who becomes a non-executive director. Each will receive about 1m Pet City shares, which were quoted last night at \$28.

Mr Hansen said the merger created a substantial platform for expansion in continental Europe and Scandinavia. There would be some 1,000 pet

superstores within seven to eight years, with the initial focus likely to be in countries such as France.

In the UK, Pet City intends to double Pet City's presence to more than 100 outlets over the next 18 months. Mr Hansen says the worldwide pet market is booming. In the UK alone, pet owners spend about \$3m a year on their animals, led by the country's 14m cat and dog owners who spend about £1.3m on food - mainly high-margin premium brands - a further £200m on accessories and toys, plus the inevitable vet's fees.

Hint of rebound as orders rise

Continued from Page 1

tell initially on news of the rise in new orders but rallied later with the release of the weak housing data. By noon, the benchmark long bond was up half a point to yield 6.806 per cent.

Official figures next week are likely to show a sharp decline in economic growth in the third quarter to an annualised rate of 2 per cent or less compared with 4.7 per cent in the second quarter. The data, however, will come too late to damage President Bill Clinton's economic credibility - a big factor in his impressive lead in the opinion polls.

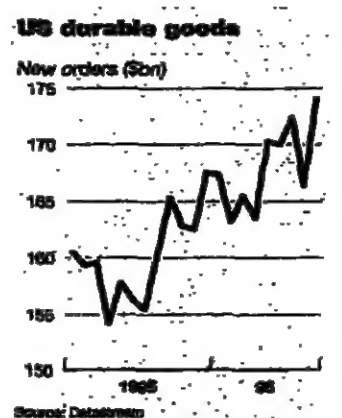
The evidence of a slowdown has all but eliminated expectations of a rise in short-term interest rates at the Federal Reserve's policy meeting on November 13. Most economists expect policy to remain on hold until the new year.

Third-quarter weakness is likely to reflect a sharp slowing of consumer spending - to an annualised rate of about 1 per cent - and an unexpected widening of the trade deficit. Much of the remaining growth

will reflect a rise in stocks of unsold goods.

Economists are divided on the outlook for the fourth quarter. "The economy will bounce back," said Mr Bill Dudley, a senior economist at Goldman Sachs in New York. He predicts annualised growth of 3.5 per cent - because consumer spending will be supported by strong growth of personal incomes, near-record consumer confidence and the buoyant stock market.

But other analysts warn the economy could be heading for a "growth recession" with



growth of output falling below the economy's long-run potential next year.

Germany's power plays

THE LEX COLUMN

They are German; they are utilities; but Veba, RWE and Viag are certainly not going to be dull. The approaching deregulation of Germany's electricity market has sent them rushing into new markets. After acquisitions in chemicals, refining and packaging, all three are now trying to turn themselves into telecoms operators. Vebacom, the telecoms alliance between Veba, Cable and Wireless and now RWE, plans to invest around DM5bn (£3.3bn) over the next few years. Viag, which is linked with BT, intends to spend DM10bn over 10 years. These are considerable sums and competition from Deutsche Telekom will be fierce. Even so, the potential for growth is much higher than in electricity.

For UK investors, who have seen utilities fall at diversification before, there is also a more familiar theme: cost cutting. Veba has cut overheads by DM1.2bn since 1992 and brokers expect further reductions of DM1.6bn by 2000 - 15 per cent of personnel costs. At smaller Viag, a planned DM500m cut is similarly severe. The odd man out is RWE, which has yet to address its relatively high cost base.

Meanwhile, Veba has become one of Germany's foremost proponents of shareholder value, setting clear financial targets and adopting US accounting standards. RWE could be about to follow. A first step would be for it to unify its share structure by repurchasing its multiple voting shares once the law allows. In the long term, all three should think about demerging their faster growing businesses from the utility rump.

FTSE Eurotrack 200:
1624.1 (+2.6)

German utilities



the hands of Swiss Bank Corporation. BZW is still some distance from being a serious contender. This should not concern unduly. No European bank, deprived of the advantage of the huge US domestic market, has done better. A national champion may be a nice bonus, but the fact of investment is more important than its origin. The Big Bang - helped by the commendable willingness of UK institutions to cede control - attracted it in shovel loads. It was this combination that prompted well-financed European banks such as SBC, Deutsche and Dresdner to pour money into their London operations; and the same environment encouraged US institutions to do likewise. In an industry famous for its lavish remuneration practices, it may be just as well to be a London employee rather than a shareholder elsewhere.

UK water
Mr Ian Lang, Britain's trade secretary, has slipped up. The victims of his ban on bids for South West Water will be customers, who will not get anything like the price cuts a bid would unlock. Why? Just so the water regulator can have plenty of companies to compare - an enthusiasm now wildly out of hand. To offset Severn Trent's bid, for instance, the regulator argued for annual price cuts costing a ridiculous 68-81 per cent of SWW's revenues - so big that the Monopolies and Mergers Commission concluded they were not deliverable. And yet comparative data on water companies' efficiency are of questionable benefit: the MMC itself doubted their usefulness in its 1995 report into SWW. In a country which hap-

ply tolerates a single power grid and an airport monopoly, preventing efficiency-improving mergers between 10 large monopoly water companies just looks idiotic.

Of course, the decision should not block bids from outside the sector - most obviously from regional electricity companies, which are presumably now likewise blocked from merging. Swed, the local power company, could quite sensibly bid for SWW, at yesterday's depressed price, it looks a sitting duck.

By contrast, yesterday's sharp rises in Severn Trent's and Wessex Water's share prices can be interpreted only one way: Mr Lang has saved both companies from the consequences of their own enthusiasm. Given the expensive outcome of the last auction of a water company, Southern Water, this reaction looks amply justified. That said, investors will need to keep a close eye on what happens to the companies' surplus capital. Severn Trent in particular is overcapitalised: either it needs to buy something sensible or hand cash back to shareholders.

UK TV

Lord Hollick's United News & Media yesterday grabbed the final significant piece in the UK terrestrial television puzzle, by buying 20 per cent of HTV. Of the nine largest TV licences awarded in 1992, all but one have ended in the hands of just three groups. And the last, Scottish TV, with its ability to play the national card, looks likely to remain independent.

The early TV takeovers unlocked substantial value for the buyers, Carlton, Granada and United. But the bid targets have since become far more efficient, their shares have soared and the advertising cycle has advanced. United's purchase of HTV looks strategically compelling - the franchise is contiguous with its own, and it risks losing an existing agreement for selling HTV air time to another bidder. But the price of 30 times next year's profits is hard to justify. The highly beneficial Channel 4 funding formula is under scrutiny. Channel 5 will put pressure on advertising rates and the outcome of HTV's negotiations for lower licence fees next year is impossible to predict. No wonder Lord Hollick did not buy the lot.

HTV will go down as yet another deal Carlton failed to complete. But given the critical mass of its existing TV operations, shareholders should not rue this particular loss.

Big Bang

The City of London has profited handsomely from the Big Bang deregulation of financial markets 10 years ago. Between 1985 and 1995, overseas earnings from the financial sector more than doubled to \$20bn (\$31.2bn), and the sector grew 40 per cent when the overall economy grew 25 per cent. Only New York is a larger financial centre, and that advantage is offset by London's more international outlook.

The curiosity is that the City's pre-eminence has not rubbed off more on UK institutions. There is no integrated UK investment bank that can claim global first division status alongside the likes of Morgan Stanley and Goldman Sachs. S.G. Warburg came closest, but it failed to crack the US market and fell into

UK water

the hands of Swiss Bank Corporation. BZW is still some distance from being a serious contender. This should not concern unduly. No European bank, deprived of the advantage of the huge US domestic market, has done better. A national champion may be a nice bonus, but the fact of investment is more important than its origin. The Big Bang - helped by the commendable willingness of UK institutions to cede control - attracted it in shovel loads. It was this combination that prompted well-financed European banks such as SBC, Deutsche and Dresdner to pour money into their London operations; and the same environment encouraged US institutions to do likewise. In an industry famous for its lavish remuneration practices, it may be just as well to be a London employee rather than a shareholder elsewhere.

French rage

Continued from Page 1

of Thomson's large debts. The Socialists and unions have seized on the government contributions to politicise the Thomson privatisation in a way they have not succeeded in doing previously.

Mr Alain Lamassouze, the budget minister, sought to wrap the Thomson/Lagardère deal in the tricolour by claiming the government was following "the logic of defence policy rather than industrial policy".

Wired offering of shares cancelled

Continued from Page 1

led by Goldman Sachs, placed on the company's shares. "It was unclear what benefit was left on the table for investors," she said.

The issue of the cancellations was somewhat clouded by speculation that Mr Louis Rossetto, the company's chief executive, may have inadvertently violated Securities and Exchange Commission rules that bar a company from pushing its stock before an offering.

An internal memo written by Mr Rossetto in an effort to boost morale in the face of negative coverage of the offering was posted on The Well, a popular Internet site.

A spokesman for the company, however, said the cancellation of the offering had nothing to do with the distribution of the memo.

Such a muted reception to the offering seemed almost unimaginable last year as investors drove up the valuations of profitless Internet-

related companies.

The rush began in August 1995 when shares of Netscape Communications, the Internet software company, were sold for \$28 each - nearly 20 times annualised earnings.

Since then, about 20 Internet companies have floated on the US market raising more than \$1bn mostly in relatively small deals, according to Securities Data.

The performance of these shares has been decidedly mixed leaving investors wary of risky new deals.

FT WEATHER GUIDE

Europe today
Showers will fall over the Benelux, Germany and northern France. Southern France will be dry with sunny periods. Sunshine is expected over southern Spain and Portugal, but the north will have some cloud. Switzerland and western Austria will see some showers, but eastern Austria will be mainly sunny. It will remain rather cloudy with outbreaks of rain or scattered showers over northern Italy, while sunshine will mix with cloud over southern Italy. The Balkans will have a mixture of sun and cloud. It will be sunny in Russia, Finland and Poland. Some showers will fall over southern Norway.

Five-day forecast
North-western Europe will continue to be unsettled and cool for the next few days. After the weekend, the remnants of Hurricane Lili will approach the region, but it is still unclear what track and strength this important system will take.

TODAY'S TEMPERATURES
Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteor Consult of the Netherlands

Abu Dhabi	sun 31	Algeria	sun 21	Amsterdam	shower 14	Athens	fair 15	Atlanta	fair 18	B. Aires	shower 13	Bangkok	cloudy 34	Barcelona	fair 19
Cairo	sun 22	Casablanca	shower 13	Chengdu	shower 10	Chicago	shower 13	Cologne	shower 13	Dakar	sun 31	Dallas	fair 24	Delhi	shower 14
Dubai	sun 31	Dubrovnik	shower 10	Edinburgh	shower 12	Faro	sun 32	Frankfurt	shower 14	Geneva	shower 13	Glasgow	shower 13	Hamburg	sun 31
Helsinki	sun 31	Hong Kong	fair 28	Honolulu	sun 31	Istanbul	shower 13	Jakarta	sun 35	Jersey	shower 15	Karachi	sun 35	Kuwait	sun 35
Laos	sun 35	Los Angeles	sun 27	Las Palmas	sun 27	Lima	cloudy 20	London	sun 22	Lyons	shower 11	Madrid	sun 20	Maastricht	sun 20
Melbourne	sun 26	Mexico City	fair 28	Milan	sun 22	Nairobi	sun 22	Nassau	sun 20	New York	sun 20	Nice	sun 20	Nicosia	sun 22
Osaka	sun 22	Paris	sun 22	Perth	sun 22	Prague	sun 22	Rangoon	cloudy 33	Reykjavik	cloudy 28	Rio	sun 19	Rome	sun 19
S. Francisco	sun 16	Seoul	sun 12	Singapore	sun 32	Stockholm	sun 12	Strasbourg	shower 12	Sydney	sun 22	Taipei	sun 22	Tel Aviv	sun 22
Tokyo	sun 22	Toronto	sun 13	Vancouver	sun 11	Venice	sun 15	Vernon	sun 9	Warsaw	sun 8	Washington	cloudy 22	Wellington	fair 13
Winnipeg	fair 4	Zurich	cloudy 10												

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